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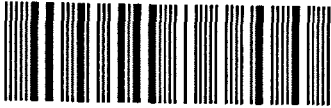
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**An Issue-Based Approach to Organisational  
Legitimacy: The Case of Namdeb**

**is submitted for the award of Doctor of Philosophy Degree  
(Ph.D)**

**to the**

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## ABSTRACT

In this investigative study an issue-based approach is employed to examine the effects of a continuous flux of everyday, dynamic and often interconnected or interrelated political, economic, social, environmental and legislative issues involving mostly external stakeholders. The case study method was used and the issues influencing the legitimacy of Namdeb, a public private joint venture (PPJV) between the Government of Namibia and De Beers, international diamond miner and retailer was investigated. The findings show that a number of interconnected and constant issues collectively influence organisational legitimacy on a daily and continuous basis. Furthermore, most of these issues are moral issues. Moreover, political issues were specifically identified as a major source of adverse impact on organisational legitimacy. On both the theoretical and practical levels, the need for a tool to help with the identification, classification and management of the issues affecting organisational legitimacy was also recognised. To assist with this, a two-dimensional alternative to Suchman's (1995) typology of organisational legitimacy which is considered the reference in the field of legitimacy theory, was developed by taking into consideration issue and legitimacy types. The study was conducted for two main reasons. Firstly, no existing study concentrating on the various collective and everyday issues affecting organisational legitimacy has thus far been embarked upon. Secondly, no empirical evidence based on the direct input, or more precisely points of view of external stakeholders, has been identified in the current literature and yet organisational legitimacy is said to be dependent on some degree of shared agreement among societal constituencies or stakeholders that an organisation is aligned with accepted notions of purpose, endeavor and outcomes.

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# **1 INTRODUCTION TO THE RESEARCH**

## **1.1 Overview of the Chapter**

This chapter introduces the research project by acquainting the reader with mainly the rationale for the undertaking in the first place, and the methods which were employed to accomplish this goal. It is presented in seven sections: firstly background to the research topic is provided; secondly, the research question and the five investigative questions are introduced; thirdly, the research is justified; fourthly, an overview of the methodology is given; fifthly, an overview of the entire thesis is put forward; sixthly, the delimitations of scope and the key assumptions are introduced; and finally, the chapter is closed with a short summary.

## **1.2 Background to the Research**

In this research organisational legitimacy is approached by investigating external stakeholder issues affecting and influencing legitimacy on a regular and every-day basis. In other words, an issue-based approach is employed to uncover and examine the issues playing a definite role on organisational legitimacy. This topic is regarded a relevant and indispensable topic for managers and business in general to consider, especially in view of the observation that “the legitimacy of business has fallen to levels not seen in recent history” (Porter & Kramer, 2011, p. 64) which resulted in a general decline of legitimacy (Berger, 1981; Coglianese, 2007). This is the direct result of the fact that the general public holds a negative perception of big business (Acutt, Medina-Ross and O’Riordan, 2004; Clark, 2000; Crane & Matten, 2004; Greenfield, 2004; Handy, 2003; Kotler & Lee, 2005; Weiss, 1998; Elfstrom, 1991) caused by, for example, negative business impact on the environment, impacts on the livelihood of people, traditions, culture and social constructions (Yakovleva, 2005; Jackson & Moerke, 2005). Indeed companies are often seen as the enemies of public interest (Klein, 2000; McKinnel, 2005). Linked to this is the

fact that in some cases corporations are also failing to adequately provide employment and efficiently produce wealth for society (Monks, 2007). Furthermore, the repeated occurrence of highly negative profile events or scandals also play an important role in compounding this negative view of companies held by society. As a result, it is safe to say that in today's competitive and globalised world, companies often face serious legitimacy challenges (Ostapski & Isaacs, 1992; Basu & Palazzo, 2008) which may eventually cause the reversal of their license to operate by society and stakeholders (Merkelsen, 2011; Graafland, 2002; Wooward, Edwards & Birkin, 2001; Elkington, 1997; Dunfee, Smith & Ross, 1999; Shocker & Sethi, 1974) and ultimately threaten their very survival (Buddelmeyer, Jensen & Webster, 2010; Christensen, Suarez & Utterback, 1998).

These challenges and issues can broadly be divided into three sections. Firstly, there are those incidents which are generally involuntary in nature and can be attributed to malfunctions, failures, or unanticipated side-effects of technological systems (Schneider, 2000). Secondly, there are those acts which are deliberately unethical and strategic in nature (Elfstrom, 1991), and are normally engaged in by, for example, corrupt managers and employees. Thirdly, organisational legitimacy is also affected by industry-related issues such as mining which is often referred to as "a necessary evil" (Lanning & Mueller, 1979; Kanellos, 2007; Legwaila, 2006) as it is of crucial importance for both economic and social development (Yakovleva, 2005; McMahon & Remy, 2001; Mannion, 2006).

In the first case, companies may not be vigilant enough and industrial disasters (e.g. the Bhopal Gas Tragedy<sup>1</sup> in 1984 and the recent Fukushima Daiichi nuclear disaster in Japan<sup>2</sup>)

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<sup>1</sup> In 1984 thousands died in India in what is considered the world's worst industrial disaster. Estimates about the death toll vary but a government statement confirmed 3,787 around the time the accident took place and a further 8,000 have since died from gas-related diseases (Bisaraya & Puri, 2005).

<sup>2</sup> A series of equipment failures, nuclear meltdowns, and releases of radioactive materials took place at the Fukushima I Nuclear Power Plant, following the Tōhoku earthquake and tsunami on 11 March 2011. The six boiling water reactors were built by General Electric and maintained by Tokyo Electric Power Company (TEPCO) (Bradsher, Tabuchi and Pollack, 2011; Negishi, 2011).

may occur. Even though such incidents are sometimes classified as accidents, companies are still accused of irresponsible behaviour because many of these 'accidents' could have been prevented (Shrivastava, Mitroff, Miller & Miclani, 1988; Schneider, 2000). Such events may irrevocably damage organisational legitimacy and create uncertainty about the company amongst the various stakeholders involved (Schneider, 2000).

In the second case which involves deliberate unethical behaviour, corruption and fraudulent deeds frequently play a role (e.g. the Enron financial scandal<sup>3</sup>) and general governance issues are also often at the core of challenges to legitimacy (Armstrong, 2005). These may include, for example, accusations of non-accountability (Fisse & Braithwaite, 1993; Lozano, 2010; Brenkert, 2004; Charkham & Ploix, 2005) and non-transparency (Fisse & Braithwaite, 1993; Lozano, 2010; Fernando, 2010; Villiers, 2006). Furthermore, public interference with government and countries' sovereign laws, poor labour conditions and transfer pricing (Warhurst, 1998) may also be a direct result of deliberate, irresponsible and more often than not, unethical actions. Additionally, under this category, human rights abuses such as child labour (e.g. Firestone Tire and Rubber Company<sup>4</sup>) also take place (see also Warhurst, 1998). It is also observed that the deliberate ignoring of less powerful stakeholders such as communities in which companies operate (Banerjee, 2007; Steurer, Langer, Konrad and Martinuzzi, 2005) and indigenous people (Shrivastava, 1995; Dixon & Dillon, 1995; Hilson, 2002) also negatively influence organisational legitimacy.

---

<sup>3</sup> In just 15 years, Enron grew to be America's seventh largest company, employing 21,000 staff in more than 40 countries but the company lied about its profits and stands accused of a range of unethical dealings, including concealing debts so they didn't appear in the company's accounts (Edelkind & MacLean, 2004).

<sup>4</sup> The company operated a metal plantation in Liberia which was the focus of a global campaign called 'Stop Firestone'. Workers on the plantation were expected to fulfil a high production quota or their wages would be halved, so many workers brought children to work (Menutis, 2007).



Thirdly, as mentioned above, industry specific challenges to legitimacy are also clearly discernable regardless of (or perhaps because of, or both), in the case of this research, the natural resource industry being the world's second oldest and most important industry after agriculture (Down & Stocks, 1977). It is in actual fact one of the world's main industrial sectors which in some cases holds a dominant position in the socio-economic development of numerous nations (Yakovleva, 2005; McMahon & Remy, 2001). Mining industry-related issues which may seriously affect legitimacy are, for example, environmental concerns which are particularly prominent in discussions of logging and mining enterprises, pulp and paper mills, agribusiness, oil, chemical, cement, iron and steel companies, which have degraded or destroyed large areas of tropical forests, marine and coastal resources, freshwater sources, agricultural land and the urban environment, as well as the ozone layer (Utting, 2000).

Other specific issues which managers and other concerned parties need to take into consideration include the inherent finiteness of natural resources (Warhurst, 1998; Yakovleva, 2005; Banerjee, 2007), the social and economic disruption related to mine closure (Warhurst & Noronha, 2000; Warhurst, 1998), environmental impacts which include pollution incidents (Grimalt, Ferrer and Macpherson, 1999) and the destruction and unbalancing of whole ecosystems (Sengupta, 1993; Young, 1992). As a result of these issues listed above, mining companies are often, with good reason, under constant critique from both local and international media, international as well as national NGOs (Schwartz & Gibbs, 1999), academics, international governance bodies, communities, as well as governments (Elfstrom, 1991).

Furthermore, certain business types such as the multinational company face a number of legitimacy challenges as a result of the often unethical and unscrupulous ways of

conducting business especially in developing countries (Elfstrom, 1991). For example, Shell has been accused of serious violation of the rights of the Ogoni community and individuals in Nigeria who spoke out against the company, as well as cooperating with an oppressive military regime<sup>5</sup>. This is in line with the fact that multinationals are repeatedly seen as choosing profit over people (Banerjee, 2007; Chomsky, 1999) and the consequent lack of sustainable development in communities where they operate (Banerjee, 2007; Utting, 2000). In fact they repatriate most of their often substantial profits (White, 2010) while, in some cases, they coerce certain developing country governments or corrupt officials to engage in actions which are not in the best interests of citizens (Elfstrom, 1991). These governmental actions consist of lenient foreign direct investment regimes (Elfstrom, 1991), weak labour and environmental laws, the unfair or illegal allocation of mining licences (Mack, 2001), and so forth.

The mining industry and multinational related issues mentioned above are both important in the context of this research as the case study under investigation, Namdeb, a public private joint venture (PPJV) between De Beers and the Government of Namibia<sup>6</sup>, is both operating in the mining industry, and the multinational De Beers which mines and trades in diamonds internationally, co-owns half of the company. As it is the objective of this research to further investigate everyday occurring issues which influence organisational legitimacy and the extent to which managers are able to influence and manage these issues, Namdeb's organisational legitimacy is evaluated according to the views of the company's external stakeholders.

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<sup>5</sup> In 1996, Royal Dutch/Shell was sued in US federal court by Ken Wiwa (son of the late Ogoni activist Ken Saro-Wiwa who was executed in 1995) and other members of the Movement for the Survival of the Ogoni People (MOSOP). MOSOP campaigned against the environmental damage caused by oil extraction in the Ogoni region of Nigeria and for increased autonomy for the Ogoni ethnic group. Ken Saro-Wiwa and other members of MOSOP were held in military custody, then tried by a special court established by the military government using procedures in violation of international fair trial standards, convicted of murder and executed. The plaintiffs allege that the Nigerian military government and security forces committed human rights violations, including torture and summary execution of MOSOP members, to suppress MOSOP's activities and that Royal Dutch/Shell was complicit in the commission of these abuses (Neuffer, 2001).

<sup>6</sup> Henceforth also referred to as 'the Government'.

Indeed the study aims to illustrate the fact that the company is a public institution which is not only influenced by economic factors alone as societal and political factors play an equal, and in some cases even a more important role in company affairs (Warren, 2003). The investigation predominantly draws upon legitimacy theory which is based upon the awareness and postulation that the actions of an entity are desirable, proper or suitable within some socially constructed system of norms, values, beliefs and definitions (Suchman, 1995; Dowling & Pfeffer, 1975). Consequently a company must constantly evolve and adapt to the changing needs and expectations of society (Walden & Schwartz, 1997) and must meet the test of legitimacy and seek society's approval (Patten, 1991; Yakokleva, 2005) by playing a role in the "new economy of corporate citizenship" (Wolfensohn, 2001, p. 10) where companies are expected to behave as good citizens by contributing to the development of a good and just society on the long-term (Matten & Crane, 2005; Matten, Crane and Chapple, 2003).

In order to address the targeted topic explained above, a research question and five supporting investigative questions were methodically employed.

### **1.3 Research Question & Investigative Questions**

The research question employed is *'To what extent can external stakeholder issues affecting Namdeb's legitimacy be identified, classified, managed and influenced?'*

Essentially it is argued that a multifaceted set of connections of both central and peripheral political, economic, social, environmental and legislative issues, often incited by, and involving external stakeholders directly, converge to influence the three types of organisational legitimacy (moral, pragmatic and cognitive) identified by Suchman (1995) on a dynamic and continuous basis. Hence, it is argued that in order to better manage and

control their legitimacy, companies and more specifically managers need to be aware and address issues related to the types of legitimacy by employing a combination of stakeholder input and alignment of company operations with society's social norms and values in a constant and proactive manner. This is in line with the opinion that organisational legitimacy is predominantly influenced by external parties which are more often than not the company stakeholders (Dowling & Pfeffer, 1975; Wood, 1991; Aldrich & Fiol, 1994; Clarkson, 1995; Hillman & Keim, 2001). In the scope of this research, however, only the input of external stakeholders are taken into consideration even though some studies show that internal stakeholders, in particular employees, also influence legitimacy (see for example Ashforth & Mael, 1989).

The research question is addressed, as mentioned before, by employing a case study approach by investigating Namdeb, a PPJV between De Beers and the Government of Namibia. The choice of Namdeb as investigation focal point is mainly based on the company's prominence in the Namibian economy, its PPJV structure and De Beers' history and international dominance of the diamond mining industry. On a broader scale, on the one hand the mining industry significantly influences societies in which they operate positively in terms of budget and export revenues, employment and infrastructure development (Yakovleva, 2005; O'Faircheallaigh, 2002; Hamann & Kapelus, 2004). On the other hand, it is also demonstrably responsible for a wide range of negative environmental and social impacts at local, regional and global levels such as the disruption of river flows, degradation of land and forest resources, impacts on the livelihood and the disturbance of local communities near mines and the disturbance of traditional lifestyles of indigenous people (O'Faircheallaigh, 2002; Hamann & Kapelus, 2004). Due to the severity and diverse impacts caused by mining industries and a wide range of stakeholder concerns and expectations related to mineral extraction, the mining industries represent an

interesting example for the study of business and society relationships (Yakovleva, 2005) and ultimately organisational legitimacy.

The five investigative questions formulated to assist in the sequential answering of the research question are:

- Q1 – Which types of external stakeholder issues affect the legitimacy of Namdeb?***
- Q2 – What is the frequency and ranking of the different external stakeholder issues affecting Namdeb's legitimacy?***
- Q3 – What is the frequency of the different types of legitimacy as mentioned by Namdeb's external stakeholders?***
- Q4 – Does the proposed legitimacy types based on Namdeb's external stakeholders' statements correspond with Suchman's (1995) description of legitimacy types?***
- Q5 – How can Namdeb manage its legitimacy by employing the proposed typology of organisational legitimacy introduced above?***

These questions and their identified and proposed answers will be discussed in detail in Parts I and II of the Results of Investigative & Research Questions chapters and even further in the 'Theoretical & Managerial Implications' chapter. Following is a validation of the research.

#### **1.4 Justification of the Research**

As stated above, this research is built upon on an issue-based approach and consequently investigates the everyday occurring issues according to external stakeholders which continuously affect organisational legitimacy and managers' ability to manage and influence these issues. This is important as it is observed that the overall legitimacy of

companies have been seriously questioned for some time (Warren, 2003) and that levels of legitimacy has been decreasing (Porter & Kramer, 2011; Berger, 1981; Coglianese, 2007). While capitalism is credited with driving the wellbeing of many economies, repeated instances of corporate wrong-doing as discussed previously, stimulate a deep distrust in business (Crowther & Rayman-Bacchus, 2004) which result in companies being illegitimate (Rayman-Bacchus, 2006). As a result, corporate misbehaviour, especially during the last two decades has driven the suggestion that there is a crisis of confidence in the corporation (Crowther & Rayman-Bacchus, 2004) which noticeably negatively affects organisational legitimacy which is permanently connected to corporate ethical behaviour which, in turn, is based on meeting the expectations of stakeholders (Dowling & Pfeffer, 1975; Certo, 2003; Fiss & Zajac, 2006; Ashforth & Gibbs, 1990; Elsbach, 2003).

However, organisational legitimacy is a much more complicated and layered concept than mere ethical behaviour. For instance, even though in some cases companies may be able to influence their own legitimacy, by for example, employing moral discourse (Castelló & Itziar, 2011), other issues are not directly manageable or controllable such as, for example, the mistrust people generally have in large corporations (Crowther & Rayman-Bacchus, 2004; Elfstrom, 1991). Furthermore, the issues influencing legitimacy may also be interconnected making it even more difficult to manage or influence in a positive way. In a first step, this research attempts to address this problem by identifying issues which have not necessarily been addressed before in the literature. In a second step, it identifies an alternative to Suchman's (1995) typology of legitimacy to facilitate the management of the identified issues. Thirdly, the issues which are more easily managed and influenced are identified in a further attempt to provide managers with recommendations for successful and ethical legitimacy management.

In addition, the study is also relevant because despite the fact that Suchman's (1995) typology is well recognised in the literature, it was so far systematically used only once for qualitatively analysing an organisation's legitimacy by Castelló and Lozane (2011). However, this specific study analysed sustainability reports, thus company communication, and not how company behaviour is evaluated by third parties. Other empirical studies either refer only sparsely to Suchman's concepts (Sonpar, Pazzaglia & Kornijenko, 2010), define legitimacy differently as "creating a sense of positive, beneficial, ethical, understandable, necessary, or otherwise acceptable action" (Vaara & Tienari, 2008, p. 986) or through sources of legitimacy (Rao, Chandy & Prabhu, 2008), use alternative concepts such as trustworthiness (Alcañiz, Cáceres & Pérez, 2010), or focus on analysing challenges to legitimacy (Schepers, 2010). It can be concluded that the application of Suchman's (1995) distinction to the analysis of how a company's legitimacy is perceived by its external stakeholders has not been attempted yet, although it can be argued that the latter is a more valid way of measuring legitimacy than analysing a company's communication.

Furthermore, the action of analysing stakeholders' perceptions of organisational legitimacy directly allows for the contribution to the field of business ethics which is considered to be lacking in theory (Brigley, 1995). Indeed the research adds to legitimacy theory which is classified as a sub-theory of the broad field of business ethics (Lightstone & Driscoll, 2008) as it addresses the viewpoints of external stakeholders who may bestow or withdraw legitimacy based upon the company's adherence to society's norms and values (Merkelsen, 2011; Graafland, 2002; Elkington, 1997; Dunfee, Smith & Ross, 1999; Shocker & Sethi, 1974). This is an important contribution as many researchers involved in business ethics have searched for a more developed theory by drawing upon normative ethical theories in philosophy which include egoism, hedonism, altruism, moral absolutism, utilitarianism, ethical relativism, deontology etc. (Brigley, 1995). However, according to Brigley (1995),

the resort to normative ethics has not been acceptable to some researchers. For example, Trevino (1986) criticises normative ethical theories as poor predictors of ethical behaviour in business, inaccurate in their presentation of business realities, and lacking face-validity with practitioners. In the case of this research, normative ethical theories were taken into consideration despite Brigley's (1995) concerns but a concerted effort was made to present an accurate presentation of the business environment of Namdeb and to offer a truthful account of external stakeholders' viewpoints regarding organisational legitimacy. Trevino's (1986) first concern, that of ethics studies being a poor predictor of ethical behaviour of business, is not in the scope of this research.

Following is a short overview of how legitimacy is empirically studied in the study.

## **1.5 Overview of the Methodology**

In this qualitative study an emergent, exploratory approach was employed in order to contribute to the organisational legitimacy debate by investigating external stakeholder views as the topic under investigation is considered highly political and therefore necessitated face-to-face discussion with relevant stakeholders. Both primary and secondary sources of data obtained from four main sources were combined in this study: 1. desk research including academic publications, legal and official documents; 2. newspaper articles from both the international but mostly the local media; 3. a total of 42 in-depth interviews adding up to approximately 33 hours and 600 transcribed pages and 4. autobiographical storytelling, a form of auto-ethnography.

With regards to the identification and constitution of the final data sample of 42 prominent, individuals mostly holding strong political, economic and social leadership positions, a



sampling approach designated for stakeholder network analysis was employed. This method is a stakeholder mapping approach which includes snow-balling (Boutilier, 2009; Adamic & Adar, 2005). A total of 41 stakeholders representing nine stakeholder groups were identified (Table 4.1.). The nine stakeholder groups comprise of De Beers (both stakeholder and shareholder), the Government of Namibia (both stakeholder and shareholder), the Oranjemund community, the Karas Community, industry and business related organs, civil society and civil right organisations, environmental organisations, academics and research institutions and the media. A 42<sup>nd</sup> interview was also conducted with the CEO of Namdeb, the focal organisation. The precise details of the steps followed are explained in more detail in the methodology chapter.

Content analysis was employed to identify issues and themes brought up by the 41 respondents in the respective interviews conducted with the help of an interview guideline consisting of 13 subject areas such as the respective roles of De Beers and the Government in managing Namibia's diamond resources, their impression of, and expectations regarding Namdeb's corporate social responsibility engagement, transparency and accountability related to Namdeb and De Beers, as well as the question on how these actors should contribute to the Namibian society's development. Both these pre-defined categories and the investigative questions developed assisted in the formulation of preliminary categories and themes necessary for the coding of the data. These categories and themes changed with data reduction resulting in the re-coding of all interviews according to the new tree-node structure every time this occurred. Finally, 48 issues with a collective count of 1129 instances were identified.

Following is an outline of the thesis.

## 1.6 Outline of Thesis

In the table below, a clear and concise description of the thesis is put forward.

**Table 1.1 - Outline of the Thesis**

<b>Chapters</b>	<b>Description</b>
<b>Chapter I - Introduction</b>	Contains background information, the research question & the five investigative questions; the justification and an overview of the research methodology; an outline of the thesis (this section), the limitations of scope and a summary of the chapter.
<b>Chapter II - Literature Review</b>	This chapter expands on legitimacy theory by reviewing relevant articles.
<b>Chapter III - Case Study: Namdeb</b>	An overview of the company investigated, Namdeb, is presented. The two shareholders, the Government of Namibia and De Beers, are also discussed.
<b>Chapter IV - Methodology</b>	The investigative approach employed to answer the research question is described.
<b>Chapter V – Part I: Results of the Investigative and Research Questions</b>	The first part of the results of the analysis is discussed. Here investigative question 1 is introduced and investigated.
<b>Chapter VI – Part II Results of the Investigative and Research Questions</b>	The second part of the results of the analysis is discussed. Here investigative questions 2-5, as well as the research question are introduced and elaborated upon.
<b>Chapter VII – Theoretical &amp; Managerial Implications</b>	The contributions to theory and management practices are put forward. Possible influences are also discussed.
<b>Chapter VIII – Concluding Notes on the Research</b>	A summary of the research, including implications for further research and limitations.

In the next section a look is taken at the delimitations of scope and some of the main postulations of this study.

## **1.7 Delimitations of Scope & Key Assumptions**

This research has three major delimitations in terms of scope. Firstly, a single company was examined. While the findings are useful as in some cases companies may share many common characteristics, situations in different countries and industries may vary substantially. Therefore, it is acknowledged that while the findings of this research may improve the general understanding of organisational legitimacy, the implications and suggestions need to be carefully considered to be consequently relevant in the different situations and contexts.

Secondly, a certain type of company, a PPJV, was investigated. The issues identified and conclusions drawn in this situation may be different for other types of companies such as privately owned businesses. For instance, the political aspects which are predominantly attributed to the role of the partnering government might not be as prominent as they are in the case of the PPJV. These political characteristics of the PPJV are further exacerbated by the fact that this type of company is also mainly found in the developing country context (Beamish, 1985) where governments attempt to have influence over and control, for example, national mineral and oil wealth. These governments engage, more often than not, in partnerships with established companies which have the relevant mining expertise and international market presence (Kent, 1991; Pfeffer & Nowak, 1976).

Thirdly, the interview sample is dominated by experts on Namibia's economic, political and social state of affairs and/or are specifically knowledgeable about the diamond industry. Many also hold leadership positions in their organisations comparable to that of a CEO or a board member of a corporation. Consequently, the sample is biased towards the powerful and legitimate – and therefore salient (Mitchell, Agle & Wood, 1997) – stakeholders that represent Namibia's elite in politics, business, civil society and the

media. As a result, the grassroots point of view is therefore potentially under-presented even though an attempt was made to give a more balanced picture by interviewing nine community members who live either in the mining town Oranjemund or in the wider region and are directly or indirectly affected by Namdeb's mining activities. The interview sample and constraints are discussed in more detail in the methodology section but basically it was influenced by access and time limitations. For example, the researcher had easier physical access to the experts as they were all based in the capital city, Windhoek, while the community members were based in the southern-most constituency, the Karas region, where Namdeb's mining takes place.

## **1.8 Summary**

This introductory chapter laid the foundations for the thesis. It introduced the research question and five investigative questions, provided the justification of the research, gave an overview of the methodology employed and provided a summary of the limitations of the thesis. Furthermore, relevant examples were shortly discussed to illustrate the significance of the study. On this groundwork, the investigation is preceded with a detailed discussion of the literature review.

## **2 LITERATURE REVIEW OF ORGANISATIONAL LEGITIMACY**

### **2.1 Introduction**

In this research organisational legitimacy is systematically approached by employing an issue-based angle which will be elaborated upon as the discussion progresses. In order to better understand this multifaceted and complex concept, here a comprehensive overview of current and older academic debates and discussions on the subject is given by looking at for example, sources of legitimacy. Generally legitimacy refers to the fact that when a company behaves in contradiction to societies' values and expectations, it may cause harm to itself as organisational benefits are derived from some degree of shared agreement among societal constituencies or stakeholders that an organisation is legitimate or aligned with accepted notions of purpose, endeavor and outcomes (Wood, 1991; Aldrich & Fiol, 1994; Clarkson, 1995; Hillman & Keim, 2001; DiMaggio & Powell, 1983; Dowling & Pfeffer, 1975; Brinkerhoff, 2005). The organisation can therefore be considered as legitimate when it conducts itself in a manner that is accepted as socially appropriate and consistent with widely held values, norms, rules and beliefs (Dowling & Pfeffer, 1975; Suchman, 1995; Deegan, 2002). In view of this, it is obvious that legitimacy is an ultimate requirement for organisational survival (Ackerman, 1975; Warren, 2003).

This chapter is divided into seven main parts. Firstly, the concept of organisational legitimacy is explained by discussing, in a first instance definition and scope, and in a second instance organisational legitimacy theory. Secondly, the three main types of legitimacy according to Suchman (1995) - moral, pragmatic and cognitive – are elaborated upon. Thirdly, the sources of legitimacy are discussed with reference to strategic and institutional contexts. Fourthly, managing legitimacy is discussed by taking into consideration the legitimacy types falling under the strategic and institutional theories.

Fifthly, the manageability and influenceability of the types of issues and the types of legitimacy are elaborated upon. Sixthly, the critiques of both the strategic and institutional theories are highlighted. Finally the chapter is concluded with a discussion of the research gap identified and a summary of the chapter respectively.

As explained, organisational legitimacy is explained in a first instance.

## **2.2 Explaining Organisational Legitimacy**

In this section, organisational legitimacy is explained in two steps. In a first instance some of the most used definitions are discussed and in a second instance, the main legitimacy theories, institutional and strategic, are considered.

### **2.2.1. Definition & Scope of Legitimacy**

Definitions of organisational legitimacy are relatively broad, and tend to lean towards vague assertions about legitimation arising from consistency with socio-cultural values (Suchman, 1995; Dowling & Pfeffer, 1975; Wood, 1991; Aldrich & Fiol, 1994; Clarkson, 1995; Hillman & Keim, 2001). Furthermore, legitimacy is conferred upon or attributed to the organisation by its stakeholders (Dowling & Pfeffer, 1975; Wood, 1991; Aldrich & Fiol, 1994; Clarkson, 1995; Hillman & Keim, 2001) and according to Ashforth and Gibbs (1990), 'like beauty it resides in the eye of the beholder' (pg. 177).

The most often used definition of organisational legitimacy is that of Suchman (1995) which is based upon the generalised perception of organisational actions as being

'desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions' (pg. 574).

Thus, when organisations are said to meet and conform to societal expectations, they are accepted, valued and taken for granted as right, fitting and good (Aldrich and Fiol, 1994; Meyer and Scott, 1983). A legitimate organisation is therefore one that is seen as pursuing socially acceptable goals in a socially acceptable manner highlighting the fact that because of this normative quality, efficiency and performance alone are not enough (Epstein & Votaw, 1978; Ashforth & Gibbs, 1990) to be viewed as legitimate by stakeholders. Another definition, in conformance with the above, states that companies are legitimate when they engage in:

“Activities that are accepted and expected within a context” (Pfeffer, 1981, p. 4).

The above definition is less broad than Suchman’s (1995) as it includes ‘context’ pointing out that who, what and how legitimacy is ascribed by stakeholders and constituents also depend on the context in which this legitimacy is gained and maintained by the organisation. For example, in the controversial oil industry, companies such as Shell and BP face numerous challenges related to the socio-political context in which they operate as often accusations of their notorious treatment of environmental issues as well as their political connections and economic importance which are often linked, are raised.

For instance, in the aftermath of the BP Deep Horizons Oil Spill, the economic importance of BP seemed to play a more important role than the effects of the disaster on the environment and people. The fact that much of the oil is still unaccounted for in the Gulf of Mexico, as was explained before, and the unknown effects of the disaster on the affected people and the environment, did not deter decision makers to give in to industry captains to restart drilling for oil in the Gulf (Gaskill, 2011; Shogren, 2011). For example, when American President Obama criticised BP’s operations, British prime-minister David Cameron was quick to point out that BP is an important multinational which plays a significant economic role in the USA, the UK and other countries (BBC News, 2010).

Consequently President Obama retaliated and publicly apologised saying that he had no interest in undermining BP's value (Hazards Magazine, 2010). Additionally, it seems that on top of BP's contribution to employment creation and the economy in general, this apology is also linked to the fact that BP funds most of the energy research in the USA (Washburn, 2010). This is an interesting and important observation as it is estimated that by 2020, the renewable and efficient energy sectors are expected to reach \$2.3 trillion in sales. However, the United States is falling behind in this global market while countries such as China, Germany, and Spain pull ahead. The United States is only 19th in clean-energy product sales as a percentage of GDP (Washburn, 2010). Meanwhile, BP's profits rose again in 2011 igniting the ire of certain politicians and activists who accuse the oil industry of profiteering while Americans, for example, pay nearly \$4 a gallon for gasoline (Clanton, 2011).

In view of this, it is obvious that when companies do not pay attention to activities that are expected within a context as illustrated above, companies are sanctioned and their activities or the lack of appropriate and expected actions may be considered irresponsible, unethical and therefore in contravention with society's norms and values.

This is linked to the following definition which also stresses the normative aspect of conforming to society's values mentioned above. Here legitimacy is described as:

“The degree to which broader publics view a company's activities as socially acceptable and desirable because its practices comply with industry norms and broader societal expectations” (Rindova, Pollock and Hayward, 2006, p. 55).

This definition also includes adherence to industry norms which is a way of comparing the company's overall performance with other businesses in the same industry. Some may argue that these norms are already included in society's expectations while others appreciate the distinction as 'industry norms' refer to tangible, practical activities or



operations the company can engage in to garner legitimacy. For example, referring to the previous example of the oil industry, Shell and BP are both companies which say that they are participating in sustainability reporting initiatives such as the Global Reporting Initiative (GRI). However, in the case of BP, the British government watchdog, the Health and Safety Executive (HSE) accused the company of continuously failing to comply with the HSE's statutory instructions to improve risk assessments after a series of alarming incidents on several oil platforms (Elkind, Whitford and Burke, 2011). While researching this aspect, it was found that BP has been accused of not conforming to safety standards for years but that it seems to be protected by the British government who is said to be more interested in pleasing the business sector. Regarding this, in an article titled "Abuse of Power" (2011) in Hazards magazine, the accusation is made that instead of improving oversight of the industry as the Deep Horizon incident proved once again to be a product of inadequate regulation, oversight and enforcement, cost cuts will be implemented up to 40 % and will also seriously negatively affect the operations of the HSE. Evidently, this issue is far more complicated than the few points mentioned but it is obvious that it plays a role on BP's legitimacy as many stakeholders view this in a very negative light (McShane, 2011; Shogren, 2011).

The above discussion confirms that legitimacy in the business context which upholds the notion that business is operating under a mandate from society which could be withdrawn if it is not acting in accordance with society's expectations (Woodward et al, 2001). However, originally the legitimacy concept has long been recognised as a key element in political and governance regimes. Indeed, legitimacy was most famously described by Weber (1864-1920) as a core feature of political and governance regimes, dealing with the relationship between societal acceptance of regimes and institutions and their ability to exercise power and authority effectively (Brinkerhoff, 2005). Conversely, in the business

context, the concept covers normative, legal, sociological and cultural meanings (Brinkerhoff, 2006; Dowling & Pfeffer, 1975; Suchman, 1995; Meyer and Scott, 1983). Companies are therefore always seeking to ensure that they operate within the bounds and norms of their respective societies, that is, they attempt to ensure that their activities are perceived by outside parties as being legitimate (Deegan, 2002; Rindova, Pollock & Hayward, 2006; Kostova & Zaheer, 1994).

Until comparatively recently, company legitimacy was considered only in terms of economic performance – if a company was successful, meaning profitable, it was automatically accorded legitimacy (Patten, 1992). For example, Milton Friedman (1962) alleged that an organisation's only responsibility was to maximise profits for shareholders, provided that only sound business practices are employed when securing survival on competitive markets. However, in a drastic turn of events, during the 1960s and 1970s society started looking at business differently as the public, in general, became more aware of the undesirable consequences of corporate growth (Tinker & Niemark, 1987). Advocacy groups and research organisations concentrating on corporate social performance gained prominence while public confidence in business declined (Patten, 1992; Lipset & Schneider, 1983). This change in the perception of corporate activity and consequent predominant social expectations, confirmed that companies could no longer afford to only care about making profits, and abiding to legal requirements, but that it was essential to consider the demands and expectations of especially their external stakeholders who grant or withhold legitimacy (Bitektine, 2001; Certo, 2003; Fiss & Zajac, 2006; Ashford & Gibbs, 1990).

In view of this, in today's business environment, companies need to pay attention to their various stakeholders (Dowling & Pfeffer, 1975; Wood, 1991; Ashford & Gibbs, 1990) if

they want to be granted the social license to operate (Woodward et al., 2001; Dunfee, Smith and Ross (1999) which is said to be:

“ ... based not on compliance with legal requirements (although breach of these requirements may jeopardise the social license), but rather upon the degree to which a corporation and its activities are accepted by local communities, the wider society, and various constituent groups” (Gunningham, Kagan & Thornton 2002, pg. 6).

Originally the social license concept is based upon the social contract which was first introduced by important thinkers such as John Locke (1689) and Jean-Jacques Rousseau (1762) who referred to the fact that individuals unite to form political societies by a process of mutual consent, agreement to abide by common rules and accepting corresponding duties to protect themselves and one another from violence and other kinds of harm (Capaldi & Lloyd, 2011). Social contract theory is further discussed in the next section with specific reference to the current business and social environment.

Furthermore, definitions of organisational legitimacy suggest that for social actors, granting or withholding legitimacy represents a mechanism of social control and suggests that stakeholders have power to various and different degrees (Bitektine, 2011). This observation is built upon the view of Parsons (1960) which state that by conferring legitimacy on organisations, structures, or practices, social actors encourage these organisations and promote structures and practices that they distinguish as beneficial to themselves, their social group and/or society as a whole. This observation confirms, once again that legitimacy is not a quality or characteristic determined by the organisation itself, but is an attribute conferred by society (Johnson & Holub, 2003). Indeed the legitimation and ultimate survival of the firm may hinge on adequately managing the relationship between the organisation and its social and political stakeholders (Meznar & Nigh, 1993).

To conclude, it is stressed that legitimacy justifies the organisation's role in the social system and help attracts resources and the continued support of stakeholders (Ashforth & Gibbs, 1990). However, as mentioned before, this is a complex process which is influenced by a multitude of factors. For example, in the example of BP discussed above, legitimacy and the economic power of the company are closely linked and play a fundamental role on the ultimate legitimacy bestowed upon the company by different stakeholders. In view of this, these two main key concepts are generally important for every stakeholder system and they help explain the influence of a specific stakeholder within the system (Mitchell, Agle & Wood, 1997). This point will be further explored in the discussion chapters with regards to the Namibian Government's relationship with De Beers from an economic and political point of view.

In the next section, the topic of legitimacy and its characteristics are discussed in more detail by specifically looking at organisational legitimacy theory.

## **2.2.2 Organisational Legitimacy Theory**

This section is divided into two parts. Firstly an overview of legitimacy theory in the business context is given. Secondly, the two main streams of theory, strategic and institutional are explained.

### **2.2.2.1. Overview of Legitimacy Theory**

Legitimacy theory follows several disciplinary streams of research and analysis that examine the forces that impact upon organisational actors: organisational population ecology (Hannan & Freeman, 1989; Zucker, 1989), resource dependency theory (Dowling & Pfeffer, 1975; Pfeffer & Salancik, 1978; Ashforth & Gibbs, 1990), and neo-institutional

approaches (Powell & DiMaggio, 1991; Meyer & Rowan, 1991; Scott, 1995). It is dominated by two major theoretical perspectives - strategic theories (Ashforth & Gibbs, 1990; Dowling & Pfeffer, 1975; Pfeffer & Salancik, 1978) and institutional theories (Di Maggio & Powell, 1983; Meyer & Rowan, 1977; Powell & Di Maggio, 1991; Zucker, 1986; Scott, 1995). However, before discussing these and the differences between them, a general overview of legitimacy theory is given.

As seen in the previous sections, it is fundamental that organisations pay attention to the prevailing societal norms and values to ensure that they are bestowed legitimacy (Dowling & Pfeffer, 1975). Organisations are endowed with legitimacy to the extent in which their activities are congruent with the goals of the super-ordinate system (Parsons, 1960). According to Elkington (1997), society's expectations which constitute the super-ordinate system may be said to encompass economic, environmental and social factor relationships. Here it is argued that the super-ordinate system is held together by the 'social contract' which implies amongst other things, that a company operates in society via an implied social contract (Dunfee, Smith and Ross, 1999) which when adhered to, results in legitimacy being bestowed by the stakeholders involved (Pfeffer & Salancik, 1978).

In accordance with the above, Shocker & Sethi (1974) confirm that in many respects legitimacy theory is based on the concept of the social contract:

"Any institution – and business is no exception – operates in a society via a social contract, expressed or implied, whereby its survival and growth are based on:

1. the delivery of some socially desirable end to society in general, and
2. the distribution of economic, social or political benefits to groups from which it derives its power" (p. 67).

This refers to the fact that in a dynamic society, neither the sources of institutional power nor the need for its services are permanent. In view of this, an institution must constantly meet the twin tests of legitimacy mentioned above by demonstrating that society requires its services and that the groups benefitting from its rewards have society's approval (Shocker & Sethi, 1974).

In the business context, it is indeed society that has allowed a company to make use of natural and human resources and has given it the right to perform its production functions to attain its power status (Donaldson & Dunfee, 1999; Balabanis, Phillips & Lyall, 1998). However, the social license for a company to operate, which was explained before, is not permanent and organisational survival and company's growth is based upon such a social contract. Consequently a company must constantly evolve and adapt to the changing needs and expectations of society (Walden and Schwartz, 1997) when seeking society's approval (Patten, 1991; Yakokleva, 2005). Evidently, it can be stated that legitimacy theory has emerged within the context of organisational interaction with society. With regards to this, Deegan (2000) says that organisations are always seeking to ensure that they operate within the bounds and norms of their respective societies, that is, they attempt to ensure that their activities are perceived by outside parties as being legitimate.

According to Deegan and Rankin (1996) breach of the social contract, i.e. a failure to comply with societal expectations may lead to a revocation of the contract. The company then risks sanctions forced upon it by society. Sanctions may include legal restrictions, and access to financial and human resources may be curtailed. In such situations whereby society perceives that an organisation's cost is greater than its benefits to society, that organisation effectively loses the authority to own and use natural resources and to hire employees, and continued existence is threatened (Khor, 1989). For example, recently

mining was halted at Yanacocha (Peru), where one of Latin America's largest gold mines, the Newmont Mining Corp., the world's second-largest gold producer, is active (Briceno, 2011). Violent protests by local communities took place as the company's operations are said to threaten the natural water supplies of some of the poorest farmers in Peru's northern Andes (Briceno, 2011; Wade & Cespedes, 2011). In fact company relations with the community have been strained since the 1990s over accusations of water contamination and a lack of consultation. Yanacocha officials said protesters were trying to pressure the mine to sign a community relations pact that would give local communities US\$72 million. Critics confirm that the \$4.8bn mining project will cause pollution and destroy water supplies (Briceno, 2011; Wade & Cespedes, 2011).

At the same time, companies that manage, for example, to communicate successfully that they are acting in accordance with the terms of the social contract and contributing more benefits than harm to society are posited to perform better financially (McGuire, Sundgren, and Schneeweis, 1988; Cochran & Wood, 1984; Pava & Krausz, 1996; Toms, 2002). For example, empirical studies by Pava and Krausz (1996) and Toms (2002) have shown that investors are willing to pay a premium for corporate behaviour that is seen as socially responsible. This is the case with Toyota's success with the hybrid car Prius which is environmentally friendly while it is at the same time driving the carmaker to the No. 1 spot in the United States (Fox, 2007). Another example is London-based Unilever's Project Shakti in India, which is training thousands of women in rural India to sell the company's personal hygiene products to the country's vast, untapped rural market (Fox, 2007).

As a consequence of the above, companies must pay closer attention to their reactions with regards to societal expectations (Oliver, 1996). This means that companies need to take society's, including communities' expectations, into consideration as it is vital for

organisational survival (Buddelmeyer, Jensen & Webster, 2010; Christensen, Suarez & Utterback, 1998) and general societal acceptance (Suchman, 1995; Deegan, 2000; Patten, 1991; Yakokleva, 2005). It can be said that it is indeed a precondition for the continuous flow of resources and the sustained support by the organisation's constituents (Palazzo & Scherer, 2006; Parsons 1960; Weber, 1978). In conclusion, legitimacy theory elaborates on the way company management reacts to community expectations and may include pollution prevention and remediation of the physical environment, assurance of health and safety of employees and consumers and those who reside in the communities where products are manufactured and waste is dumped, as well as responsibility in relation to consequences of unemployment through technological innovation or plant closure (Patten, 1991). Also, legitimacy theory implies that given the growth in community awareness and concern, companies will take measures to ensure their activities and performances are acceptable to society and meet society's wider and growing expectations (Walden and Schwartz, 1997; Wilmshurst and Frost, 2000).

This discussion is taken further in the next section in which the two dominant types of legitimacy theories - the institutional and the strategic approaches are investigated.

#### **2.2.2.1.1. The Strategic Tradition**

Strategic legitimacy studies depict legitimacy as an operational resource that organisations extract, often competitively, from their cultural environments and that they employ in pursuit of their goals (Suchman, 1995; Ashforth & Gibbs, 1990). Hence, this tradition adopts a managerial perspective and emphasises the way in which organisations instrumentally manipulate and deploy evocative symbols in order to garner societal support (Suchman, 1995). Legitimation, therefore, according to the strategic view, is often purposive, calculated by managers and frequently oppositional (Ashforth & Gibbs, 1990).



The approach assumes that the multiplicity of legitimacy dynamics creates multiple opportunities for managers to manoeuvre strategically within their cultural environments (Ashforth et al., 1990; Oliver, 1991). As a result, the management of legitimacy dynamics resides in considering the differences in the extent to which organisational activities are perceived as desirable, proper and appropriate within any given cultural context (Suchman, 1995). This is further elaborated upon in the section on 'managing legitimacy'.

The main sub-theories under strategic legitimacy theory are resource dependency theory (e.g. Dowling & Pfeffer, 1975; Pfeffer & Salancik, 1978; Ashforth & Gibbs, 1990) and stakeholder theory (Freeman, 1984; Mitchell et al. 1997). Both of these strategic types of legitimacy theory obviously take into consideration the exchange relationship between companies or other organisations and their stakeholders. In the case of the resource-based view of the firm, Barney (1991); Dowling & Pfeffer (1975); Pfeffer & Salancik (1978) and Ashforth & Gibbs (1990) contend that a company's ability to outperform the competition depends on the unique interplay of human, organisational, and physical resources over time (Amit & Schoemaker, 1993; Barney, 1991). According to Hillman & Keim (2001), as a consequence, numerous scholars argue that intangible, difficult to replicate resources must undergird the business processes if a firm is to outperform its rivals and create value for shareholders (Atkinson, Waterhouse and Wells, 1997; Barney, 1991). Resources that are most likely to lead to competitive advantage are those that meet four criteria: they should be valuable, rare, inimitable, and the organisation must be organised to deploy these resources effectively (Barney, 1991). Using these criteria, resources that may lead to competitive advantage include socially complex and causally ambiguous resources such as reputation, corporate culture, long-term relationships with suppliers and customers and knowledge assets (Barney, 1986; Teece & Pisano 1994). Organisational legitimacy,

therefore, can be added to this list as it is also an intangible resource according to Barney, 1991; Dowling & Pfeffer, 1975; Pfeffer & Salancik, 1978 and Ashforth & Gibbs, 1990.

Following is an explanation of the second stream of legitimacy theory, the institutional approach.

#### **2.2.2.1.2. The Institutional Tradition**

In contrast, the institutional tradition emphasises the ways in which sector-wide structuration dynamics generate cultural pressures that transcend any single organisation's purposive control (Suchman, 1995). They focus on how organisations, or even whole industries, project legitimacy by merely adopting and maintaining widely-used and accepted practises (Elsbach, 1994; Powell et al., 1991) and on how organisations build support for legitimacy by maintaining normative and widely-endorsed organisational characteristics (Di Maggio et al., 1983; Scott, 1991). As argued by Fombrun and Shanley (1991), the development and retention of institutionalised structures, procedures or personnel signal normativity, credibility and legitimacy to outside audiences. Organisations may consciously use links to institutionalised structures or procedures to "demonstrate the organisation's worthiness and acceptability" (Oliver, 1991, p.158).

The main theories classified under institutional legitimacy theory are neo-institutional approaches (e.g. Powell & DiMaggio, 1991; Meyer & Rowan, 1991; Scott, 1995) and organisational population ecology (Hannan & Freeman, 1989; Zucker, 1989). Both these theories refer to organisations' need to survive and what they do to accomplish this. The former, neo-institutionalism is a theory that focuses on developing a sociological view of institutions the way they interact and the way they affect society (Powell & DiMaggio,

1991). The theory offers a way of viewing institutions external to the traditional views of economics by illuminating why so many businesses end up having the same organisational structure even though they evolved in different ways, and how institutions shape the behavior of individual members (Powell & DiMaggio, 1991; Meyer & Rowan, 1991). Consequently the theory recognises that institutions operate in an environment consisting of other institutions, called the institutional environment. Every institution is influenced by the broader environment. In this environment, the main goal of organisations is to survive. In order to do so, they need to do more than succeed economically - they need to establish legitimacy within the world of institutions (Powell & DiMaggio, 1991; Meyer & Rowan, 1991; Scott, 1995).

The latter, organisational population ecology, is the study of dynamic changes within a given set of organisations (Hannan & Freeman, 1989; Zucker, 1989). In short, it is the analysis of an organisation using human life cycle terms and principles and the idea that environment affects organisation structure, failure, and success. Population ecologists use the population as their level of analysis and statistically examine the birth and mortality of organisations and organisational forms within the population over long periods. For example, Hannan & Freeman (1989) believe that long-term change in the diversity of organisational forms within a population occurs through selection rather than adaptation. Most organisations have structural inertia that hinders adaptation when the environment changes. Those organisations that become incompatible with the environment are eventually replaced through competition with new organisations better suited to external demands (Hannan & Freeman, 1989; Zucker, 1989). The link with legitimacy theory is obviously that certain organisations do not survive simply because they generally are no longer compatible and legitimate as they do not conform to society's values and norms any more.

In the next section, the three types of legitimacy according to Suchman (1995) is elaborated upon by directly linking them to the strategic and institutional legitimacy theories discussed above.

### 2.3 Types of Legitimacy

The literature differentiates broadly among three types of legitimacy as described by Suchman (1995). The first is normative, or what Suchman (1995) calls moral legitimacy, the second is cognitive legitimacy, and the third is pragmatic legitimacy. In the literature the first two types of legitimacy are predominantly classified under institutional legitimacy theory whereas the last, pragmatic legitimacy is generally classified under strategic legitimacy theory. The three types of legitimacy are summarised in Table 2.1 and are discussed in this order by taking into consideration the overall legitimacy theory under which it is classified.

**Table 2.1 - The Three Types of Legitimacy according to Suchman (1995)**

Theory	Legitimacy Types	Definition	Relationship with Stakeholders
<b>Institutional</b>	<b>Moral Legitimacy</b> - consequential - procedural - structural - personal	Organisation reflects acceptable and desirable norms, standards and values.	Organisation meets normative/moral judgments about outputs/results, procedures and technologies, structures, leaders and personnel.
	<b>Cognitive Legitimacy</b> - taken for granted - comprehensibility	Organisation pursues goals and activities that fit with broad social understandings of what is appropriate, proper and desirable	Organisation 'makes sense' (comprehensibility) and/or is 'taken for granted' according to socially constructed realities.
<b>Strategic</b>	<b>Pragmatic Legitimacy</b> - exchange - influence	Organisation fulfils needs and interests of its stakeholders.	Organisation exchanges goods and services that stakeholders want, and receive support and legitimacy.

### **2.3.1. Moral Legitimacy**

As mentioned above, moral or normative legitimacy mainly falls under the institutional theory branch and is accorded when an organisation reflects acceptable and desirable norms, standards and values (Suchman, 1995; Patel, Xavier & Broom, 2005). In fact moral legitimacy is described as resulting from “a positive normative evaluation of the organisation and its activities” (Suchman, 1995, p. 579). Therefore, moral legitimacy is socially constructed by giving and considering reasons to justify certain actions, practices and institutions. According to Suchman (1995), it reflects a pro-social logic that differs greatly from narrow self-interest. Moral concerns prove resistant to self-interested manipulations and merely pragmatic considerations to some extent (Palazzo & Scherer, 2006). Suchman (1995) also describes the moral legitimacy of companies as the result of explicit public discussion and in his opinion it can only be obtained by companies through vigorous participation in such discussions. Palazzo and Scherer (2006) makes the observation that because of this, the management of moral legitimacy must therefore be conceived of as deliberative communication meaning that rather than trying to manipulate and persuade opponents, the challenge is to convince others by reasonable arguments.

Suchman (1995, p. 579-582) identifies four variants of moral legitimacy - judgements about outputs and consequences; evaluations of procedures and techniques; assessments of categories and structures; and evaluations of leaders and personnel. The first relates to organisational accomplishments as judged against criteria and output measures specific to the type of organisation, for example, student graduation rates or test scores for schools, or patient mortality rates for hospitals. Clearly, achieving this form of normative legitimacy is easier for organisations that generate tangible and measurable outputs. For those whose outcome measures are difficult to quantify or are subject to debate, their legitimacy is sometimes hotly contested (Brinkerhoff, 2005).

If the first category of moral legitimacy can be summarised as 'doing the right things,' then the second category can be encapsulated as 'doing things in the right way', (Herman & Renz, 2004; Brinkerhoff, 2005). In addition to accomplishing desired and valued outcomes, and particularly in cases where results are hard to detect or measure, organisations can garner normative legitimacy by following socially valued, validated and/or mandated practices and procedures (Brinkerhoff, 2005). In many countries, this type of moral legitimacy is formalised in accreditation, regulatory oversight and licensure, as for example in the health, education and social welfare sectors. The third variant refers to moral legitimacy that results from constituents' perceptions of the organisation as valued due to its structural characteristics, which place it within a category of organisations widely recognised as 'right' for the job. A good example is a social service organisation that, because it is a non-profit voluntary organisation, is validated for its membership in a category of organisations recognised for pursuit of socially beneficial objectives rather than for any specific results it has achieved (Brinkerhoff, 2005).

The fourth type of moral legitimacy derives from the personal status, reputation and charisma of individual organisational leaders and staff. While less commonly found in industrialised societies, this type of legitimacy is more prevalent in developing and transition countries where traditions of paternalism, 'personalismo,' and (in Africa) the 'big man' syndrome define organisations directly in terms of the characteristics of those who lead them (Brinkerhoff, 2005). Constituents attribute legitimacy to an organisation not because of what it does or how it does it, but as a function of the perceived legitimacy of the representative and titular head of the organisation.

Palazzo and Scherer (2006) have consequently refined Suchman's (1995) observations mentioned above by arguing that moral legitimacy results from a conscious moral

judgement on “the organisation’s output, procedures, structures and leaders” (p. 73). They suggest that moral legitimacy is socially constructed in a deliberation of reasons that are used and considered to justify a company’s actions, practices, structures and results. This deliberation can either have the characteristics of a discourse in which the better argument prevails and a consensus is reached resulting in “philosophical legitimacy”, or it has a political nature and establishes “democratic legitimacy” (Scherer & Palazzo, 2007, p. 1113).

The next type of legitimacy, cognitive legitimacy, further illuminates the discussion on institutional legitimacy.

### **2.3.2. Cognitive Legitimacy**

Cognitive legitimacy is the “affirmative backing of an organization or mere acceptance of the organization as necessary or inevitable based on some taken-for-granted cultural account” (Suchman, 1995, p. 582). For example, companies in the food industry are perceived as more legitimate than companies in the tobacco industry because of the different nature of their products. Cognitive legitimacy is considered to not be inquisitive by nature and is described as being influenceable by communicating a link between the firm and legitimate symbols, values and organisations (Dowling and Pfeffer, 1975). Therefore, this type of legitimacy manifests itself when society sees an organisation and its output, procedures, structures and leadership behaviour as inevitable and necessary (Golant & Sillince, 2007) and considers its presence and structure in society as evident, and potential alternatives are literally thought of as “unthinkable” (Hargreaves, 2003). This means that acceptance is based on some broadly shared taken-for-granted assumptions, for example when actors are of the opinion that it serves as a natural way to affect some kind of collective action (Hannan & Carroll, 1992). Cognitive legitimacy therefore is produced

when an organisation follows objectives and activities that society understands and values as appropriate, proper and desirable. Such understanding on the part of societal actors, and the legitimacy that results, derives from the extent to which what the organisation does is perceived as 'making sense'.

This sense making operates in two ways, according to Suchman (1995). Firstly, if societal actors have a cultural framework that allows them to explain the organisation as engaged in comprehensible behaviour that produces acceptable and meaningful results, then that organisation will achieve cognitive legitimacy based on comprehensibility. For example, in the United States (US), businesses that innovate with new products, actively seek out new markets and exploit opportunities, and pursue profit-making aggressively are categorised and understood as engaging in entrepreneurial behavior (Brinkerhoff, 2005) as American society generally accepts and values entrepreneurs (The Economist, 2009). North American social cognitive maps both recognise and accord legitimacy to entities that act in an entrepreneurial way (Brinkerhoff, 2005). In contrast, in the countries of the former Soviet Union and Central and Eastern Europe immediately after the collapse of communism, societal understanding of entrepreneurial behavior was low, and, at least initially, organisations and individuals labelled as entrepreneurs were seen as illegitimate and even criminal (Ageev, Gratchev & Hisrich, 1995). Suspicion of what in the West is seen as legitimate and desirable business behaviour remains widespread in former communist countries. According to Brinkerhoff (2005), this example also illustrates how experience influences cognitive maps, which in turn contributes to perceptions of legitimacy. In many countries of the former Soviet Union poorly managed privatisation did in fact lead to corruption and profiteering in the guise of promoting private sector development, further tarnishing the image of entrepreneurship (Brinkerhoff, 2005).



Secondly, if society accepts the organisation, its structures, procedures and activities as so completely understandable and appropriate that no other option is imaginable, then such an organisation enjoys legitimacy that is based on being taken for granted. The organisation's legitimacy is embedded in the social construction of reality where knowing and understanding are shared widely among societal actors. The appropriateness of the behaviour of an organisational actor that exhibits 'taken-for-grantedness' becomes what Zucker (1991) calls a reflection of 'a fact of life' (p. 86). This shared social reality has been described at various levels of analysis, including single organisations, organisational fields (multiple organisations that operate from a common meaning system), and society-wide (Fiol & O'Connor, 2005). Examples include so-called faith-based organisations and educational institutions (Brinkerhoff, 2005).

Ultimately, the cognitive dimension of legitimacy refers to the way in which collective action is an outcome based on common understanding, rather than assessment on means and ends. Emphasis is placed on the idea that organisations and their operations, structures and routines are frequently considered to form part of a 'natural order' within their social context (Hannan & Carroll 1992). This tacit assumption of normality is derived from consistency with institutional logics that enable individuals to view the world in which they socially interact as predictable, coherent and objective (in other words, outside of individual control). Therefore, cognitive legitimacy lies beyond the scope of individual agency and relies on the mutual deployment and recognition of commonsense categories or scripts to rationalise collective experience (Scott, 1995; Golant & Sillence, 2007).

As mentioned before, the next type of legitimacy, pragmatic legitimacy, is different from moral and cognitive legitimacy in the sense that it is mainly strategic in nature. This is discussed in more detail below.

### **2.3.3. Pragmatic legitimacy**

Pragmatic legitimacy results from people perceiving the organisation as beneficial to themselves. It is thus a form of “exchange legitimacy” (Suchman, 1995, p. 578) that serves the needs of self-interested individuals. Companies can obtain pragmatic legitimacy by addressing stakeholder expectations - a fact that has been widely acknowledged in the stakeholder management literature. While some authors propose to prioritise powerful, vocal stakeholders (Mitchell et al., 1997; Savage, Nix & Whitehead, 1991), others warn managers not to overlook the importance of more vulnerable stakeholder groups for a company’s legitimacy in the longer term (Carroll & Buchholtz, 2006; Freeman, Harrison, Wicks, Parmar & de Colle, 2010; Post, Preston & Sachs, 2002).

As the name suggests, and as stated before, pragmatic legitimacy falls under strategic legitimacy theory and results from the calculations of self-interested individuals who are part of the organisation’s audience, for example the company’s main stakeholders or the wider public (Suchman, 1995). This group of individuals will allocate legitimacy to the organisation as long as they perceive that they are benefitting or will benefit from the organisation’s activities, for example through payment, or at least indirectly through the output of the macro-economic system as a whole (Suchman, 1995; Palazzo & Scherer, 2006). In other words, pragmatic legitimacy relates to the instrumental value of the organisation for its stakeholders in terms of how it fulfils their self-interest. Here legitimacy is assessed in terms of the extent to which the organisation can act to serve the needs and interests of its stakeholder. Most directly, pragmatic legitimacy emerges as a function of exchange relationships between an organisation and its immediate stakeholders. The organisation produces outputs (goods and/or services) that stakeholders value, who in return proffer their support. One form that support can take is the accordancy of legitimacy.

Pragmatic legitimacy also has a second variant, influence legitimacy, according to Suchman (1995). In this case, the exchange relationship between an organisation and its constituents results less in specific benefits for an individual stakeholder, and more in response to the constituent's larger interests. Examples include environmental advocacy organisations, such as Friends of Nature and Greenpeace, which in the eyes of their stakeholders strive to achieve policy outcomes that reflect the general commitment to environmental principles and practices that their members value. Influence legitimacy can be important for organisations whose outputs are hard to measure and whose intended outcomes are difficult to attribute to particular actions (Brinkerhoff, 2005). Thus stakeholders may have difficulty believing that the organisation is contributing to their interests. In this case, the organisation may incorporate some form of stakeholder participation in its procedures, which serves to demonstrate responsiveness, and may increase the legitimacy of the organisation with that category of stakeholder (Brinkerhoff 2005). Examples include a local government that establishes neighbourhood advisory committees in order to incorporate citizen inputs into local development plans and decisions and mining companies engaging with community organisations on the social and environmental impacts of mining activities.

Conceptually, this type of legitimacy closely resembles resource/power dependence models of organisation-environment interaction, where outcomes relate to survival and sustainability (see Pfeffer & Salancik 1978; Brinkerhoff & Goldsmith, 1992). The ability to offer (or withhold) legitimacy is one resource that stakeholders possess, which may contribute to organisational survival and long-term sustainability. As a result, it is imperative for the organisation to influence individuals' calculations and to persuade main stakeholders, including the wider public, of the usefulness of its output, procedures, structures and leadership behaviour (Ashford & Gibbs, 1990; Palazzo & Scherer, 2006).

This can be accomplished in different ways such as direct benefits to constituents, attentive stakeholder management, inviting stakeholders to participate in corporate decision-making, or by strategic manipulation of perceptions such as the use of strategic public relations and symbolic management (Palazzo & Scherer, 2006).

This discussion of legitimacy types is continued in the next section which treats sources of the different types of legitimacy by taking into consideration the strategic and institutional contexts described above.

## **2.4 Sources of Legitimacy**

There are several and different answers to the question of what the sources of legitimacy are, where they are located and which are the different issues and events which potentially may affect organisational legitimacy. The all-encompassing answer is that legitimacy is a phenomenon that originate and operate external to the intent and actions of an individual organisation (Brinkerhoff, 2005). For example, Brown (1997) identify three reasons why members of organisations attribute legitimacy. These are based on - (1) calculations of rational self-interest (Dowling & Pfeffer, 1975; Pfeffer & Salancik, 1978; Wood, 1991); (2) a detection of congruence between the members' notions of what is right and good and the consequences, procedures, structures and personnel associated with the organisation (Aldrich & Fiol, 1994; Parsons, 1960; Scott, 1977; Scott & Meyer, 1991) and (3) the fact that the organisation offers explanations and models that allow participants to reduce anxiety and provide meaningful explanations for their experiences (Scott, 1991; Suchman, 1995; Wuthnow, Hunter, Bergeson & Kurzweil, 1984).

Following is an explanation of the sources of legitimacy according to the institutional and strategic frameworks respectively.

### 2.4.1 Sources of Institutional Legitimacy

As stated before, moral and cognitive legitimacy types fall under the institutional legitimacy framework. Therefore, issues related to these types of legitimacy affect institutional legitimacy which traditionally focusses on how cultural environments shape organisational ways of seeing and understanding the world and consequently generate isomorphism whereby environmental pressures and decisions by organisational actors lead the organisation to adopt structures, procedures, systems and terminology within selected fields of organisational life (DiMaggio & Powell, 1983; Suddaby & Greenwood, 2005). These theories have stressed how organisations gain, maintain and repair legitimacy by adopting formal structures that conform to socially constructed systems of norms, symbols and belief (Meyer & Rowan, 1977; Suchman, 1995).

A sub-category of traditional institutional theory which was referred to before, the neo-institutionalism school of thought, conceives of the sources of legitimacy as deriving from the dynamics and characteristics of an organisation's environment. These forces in the surroundings operate at the level of the sector, organisational population or society. The idea is held that it is not so much individual organisations that are legitimised, but rather organisational forms, structural elements, technical procedures and rules (see Powell and DiMaggio, 1991; Meyer and Scott 1983). For neo-institutionalists, the major forces at work relating to legitimacy in an organisation's environment have to do largely with symbolic factors, both normative and cognitive, although as Suchman (1995) points out, some analysts link legitimacy to pragmatic exchange relationships. This is further elaborated upon under 'sources of strategic legitimacy' following this section.

Generally, in the institutional context, the reference to symbolic factors, including myth and ceremony, summons notions of broadly shared societal conceptions – such as the

appropriate role of the state, the nature of public goods, or the balance between collective versus individual rights - as the core forces for legitimation that exert pressures on an organisation (Brinkerhoff, 2005). For example, as a class of organisations, non-profit social service and humanitarian organisations derive legitimacy from social 'ceremonial' norms regarding how they behave, e.g. values-driven, selflessness, moral rectitude, honesty, and so forth. As the scandal in the United States regarding the Nature Conservancy<sup>7</sup> reveal, when expectations about non-profit behaviour were violated, the delegitimising 'fallout' affected not just the offending organisations, but the non-profit sector as a whole.

In addition to these general sources, some specific technical/operational sources of legitimacy have also been identified. These include, in a first instance, operating within constitutional frameworks, laws and regulation, and in a second instance, conformity with standards and codes and in a third instance meeting stakeholders' expectations. In the first case which refers to situations where organisations operate within constitutional frameworks, laws and regulation, it is obvious that at some fundamental stage, such organisations are accorded legitimacy. Such behaviour demonstrates accountability, which reinforces attributions of legitimacy. Regulatory entities and so-called agencies of restraint are sources of legitimacy in that they apply 'explicit regulative processes: rule setting, monitoring, and sanctioning activities' (Scott, 1995, p. 35). For example, in many countries, non-governmental organisations (NGOs) acquire a minimum degree of legitimacy through registration, which certifies them as entities engaged in providing some type of public good. Furthermore, legitimacy is conferred to the extent that NGOs are perceived to act accountably to represent the interests of their beneficiaries and/or members (Hudson, 2000; Lister, 2003).

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<sup>7</sup> The Nature Conservancy faces potential backlash as it is accused of forging a relationship with BP which has resulted in BP being seen as environmentally friendly. However, BP in turn helps Nature Conservancy to pursue causes it holds dear (HARI, 2010).

In the second case, that of conforming to standards, codes and licensing, results in legitimacy gains for organisations such as schools, hospitals, social welfare agencies, and so forth (Brinkerhoff, 2005). Licensing boards, professional accreditation bodies, oversight commissions and funding agencies are examples of entities whose assessments can determine an organisation's legitimacy (Ruef & Scott, 1998). A slightly less clear variant of standards is 'best practices,' where organisations gain legitimacy by conforming to widely accepted professional judgments about how they should operate. Responsiveness and accountability to standards and codes are in many cases legally mandated, thus linking it to the first source of legitimacy. In some cases, however, conformity to standards is self-policing, carried out by associations of professionals (e.g. doctors, financial planners) or of organisations of a particular type (e.g. associations of manufacturers, city administrators, or watchdog NGOs) (Brinkerhoff, 2005).

In the third case, that of performance expectations, it is obvious that organisations that meet stakeholders' expectations for effectiveness and efficiency are in general considered to be legitimate (Brinkerhoff, 2005). The extensive literature on organisational performance, effectiveness and sustainability discuss the difficulties in measurement, particularly in sectors where outputs and outcomes are hard to detect and quantify, and the problem of multiple stakeholders with differing or conflicting expectations (Brinkerhoff, 2005). Thus organisations face the challenge of which sources of legitimacy to attend to. As discussed above, the cause and effect connections implied in performance may be more or less discernable, so in some cases meeting performance expectations may be more related to Meyer and Rowan's (1991) myth management than straightforward production of goods and services (Brinkerhoff, 2005).

In addition, specific external sources of legitimacy include regulatory organisations, professional associations, the media, the financial markets, stockholders, consumers, analysts and the general public (MacLean & Benham, 2010). However, external stakeholders, as opposed to internal stakeholders, may have more global legitimacy concerns such as organisational impact on the environment (Allen & Caillouet, 1994). Internal stakeholders are said to judge many organisational activities as taken for granted (Ashforth & Mael, 1989) and may make more fine-grained distinctions about legitimacy by focussing on perceptions of procedural and distributive justice (Riordan, Gatewood and Bill, 1997). In this research, only the legitimacy awarded by external stakeholders, thus legitimacy garnered from the outside world, is examined (Certo, 2003; Elsbach, 1994; Elsbach & Sutton, 1992; Ruef & Scott, 1998, Suchman, 1995).

Specific studies on legitimacy sources and influential factors in the literature have also been identified. For example, Elsbach (1994) investigated how organisations in the California Cattle industry responded to eight external events by using verbal accounts to influence perceptions of legitimacy; Ruef and Scott (1998) investigated how hospitals manage their legitimacy; Elsbach and Kramer (1996) examined managerial attempts to use organisational identity management to counter low *Business Week* ratings at 'top 20' business schools by highlighting positive attributes of the university and making favourable social comparisons; Zuckerman (1999) conducted a study on security analysts and 'illegitimacy'; Rao (1994) investigated how the American Automobile Industry manages its reputation and legitimisation process; Buchanan & Keohane (2006) investigated the legitimacy of global institutions and Golden-Biddle and Rao (1997) conducted a qualitative study on the interplay of the board and top managers of a large non-profit organisation to illustrate how this interplay affects organisational dramaturgy and director behaviour.



This leads us to a discussion on the sources of strategic legitimacy which is, to a great extent, dependent on pragmatic issues.

#### **2.4.2 Sources of Strategic Legitimacy**

Sources of strategic legitimacy, also referred to as pragmatic legitimacy, may be sourced from two general sources – Firstly, a company may employ symbols (Suchman, 1995; Richardson, 1985). Secondly, managers may address stakeholders' direct expectations (Freeman, 1984; Mitchel et al. 1997) through strategic exchanges also referred to as strategic public relations (Palazzo & Scherer, 2006) based on, for example, long-term relationships (Barney, 1991).

In the first case, symbolic management, companies may obtain legitimacy by simply symbolically managing to appear consistent with social values and expectations (Ashforth & Gibbs, 1990). As social actors, including stakeholders, become more densely interlocked, and as their relationships become more organised and institutionalised, the more and more they are in a world of symbols and images (Ashforth & Gibbs, 1990). In fact companies attempt to obtain legitimacy in this context by *espousing acceptable goals* (Nystrom & Starbuck, 1984) by, for example complying to sustainable norms; *denial and concealment* (Sutton & Callahan, 1987) by, for example, simply suppressing information which might be harmful to the company's image; *redefining means and ends* (Pfeffer & Salancik, 1978) – for instance, by being reactive and rationalising, for example, by describing lay-offs as a way of improving economic effectiveness for the company as well as the community; *offering accounts* (Schlenker, 1980) for example, by excusing for harmful events and justifying actions which are in contradiction to stakeholders' and society's norms and values; and *ceremonial conformity* (Meyer & Rowan, 1991) whereby the company may adopt certain highly visible and salient practices that are consistent with

social expectations while leaving the essential organisational machinery in place (Asforth & Gibbs, 1990).

In the second case, obtaining pragmatic legitimacy by addressing stakeholders' expectations is more complicated as society is composed of diverse constituents or stakeholders who have different and even conflicting expectations of firms (Chen & Roberts, 2010). As is known, stakeholders have unequal power and ability to influence the actions of a company (Barnett, 2007; Mitchel et al. 1997) but companies are cautioned to address the expectations of as many stakeholders as possible (Freeman, 1984) and not only those of powerful stakeholders (Neu, Warsame and Pedwell, 1998; Roberts, 1992; Ullmann, 1985) in order to gain pragmatic legitimacy. However, although Freeman attempts to present stakeholder theory as a normative strategic management practice for businesses today, the theory does not offer any concrete prescriptions for what a company should stand for (Chen & Roberts, 2010). In fact Freeman (1984) explains that the stakeholder approach "presents a framework for discussing a host of differing moral views" (p. 210) and does not prescribe moral actions to managers and the board. This is however, a complicated task and will be discussed as part of the implications for management section in the discussion chapter.

These issues discussed above are further explored in the next section which gives an overview of how companies choose to manage and influence legitimacy.

## **2.5 Managing Legitimacy**

Companies try to manage their legitimacy as "it helps to ensure the continued flow of capital, labour and customers necessary for viability ... It also forestalls regulatory activities by the state that might occur in the absence of legitimacy ... by mitigating these

problems, organisational legitimacy provides managers with a degree of autonomy to decide how and where business will be conducted” (Neu et al., 1998). Managers also employ different strategies depending on whether they are aiming to maintain (Patriotta et al., 2011; Suchman, 1995), gain (Ogden & Clark, 1988; Meyer, 1977; Suchman, 1995) or repair legitimacy (Davidson, 1991; Elsbach and Sutton, 1992; O’Donovan, 2002; Suchman, 1995). For example, literature depicts the task of maintaining legitimacy as a far easier enterprise than gaining or repairing legitimacy (see for example, O’Brien, 2010; O’Donovan, 2002; Kostova et al., 1999). Once conferred, legitimacy tends to be largely taken for granted and legitimisation activities become increasingly routinised (Ashforth et al., 1990).

As was previously discussed, legitimacy derives from the judgments of observers of an organisation’s attributes, qualities and achievements. Authors such as Suchman (1995), Certo (2003), Elsbach (1994) and Ruef & Scott (1998) support this idea that legitimacy is mainly conferred by external stakeholders. The sources of their assessments cover a wide range and coupled with the number and variation in observers, create a complex environment for any organisation to pursue legitimisation. Dependence on predominant environmental forces notwithstanding, the multiplicity and variability of legitimacy dynamics generate managerial ‘space’ for individual organisations to manoeuvre within those sources of legitimacy that they can control or influence (Brinkerhoff, 2005). Without a doubt, the management of legitimacy requires a diverse arsenal of techniques and a discriminating awareness of which situations merit which responses (Suchman, 1995). Therefore, according to Suchman, (1995), most organisations seek several types of legitimacy simultaneously but different legitimisation strategies operate on different logics depending on whether the challenge is to gain or maintain legitimacy.

In the following two sections, it is investigated how legitimacy is managed under the two broad types of legitimacy fields, institutional and strategic. In a first instance, a look is taken at what the literature says about managing institutional legitimacy.

### **2.5.1 Managing Institutional Legitimacy**

The institutional approach focuses on the ways in which organisations build support for their legitimacy by maintaining normative and widely endorsed organisational characteristics (DiMaggio & Powell, 1983; Scott, 1991). Here legitimacy is described as a continuous and often unconscious adaptation process in which the organisation reacts to external expectations (Palazzo et al. 2006) to “demonstrate the organisation’s worthiness and acceptability” (Oliver, 1991, p. 158). According to the literature on institutional legitimacy, there are several ways which organisations actively employ to increase and/or maintain/gain legitimacy. The main two strategies include simply aligning the organisation’s operations and outputs with those of its environment by conforming, informing and manipulating (Suchman, 1995; Cashore, 2002; Brinkerhoff, 2005) and communications strategies which include perception management (Elsbach, 2003; MacLean & Benham, 2010; Heath, 2011). Following is a discussion of these two strategies respectively.

#### **2.5.1.1 Alignment Strategies**

As seen above, it is fundamental that corporate values emerge coherently with social demands, and that they should be aligned with social values. The symbiosis between society’s values and corporate values is achieved when the balance of interest and expectations is successful. Therefore, there is no sense in dealing with values and corporate commitment separately from social demands and expectations (Ordeix-Rigo & Duarte, 2011) as they have to be aligned.

Alignment strategies can be divided into three categories of action- (i) *conforming*; (ii) *informing*, and (iii) *manipulating* (Suchman, 1995; Cashore, 2002, Brinkerhoff, 2005) as shown in Table 4 below. *Conforming* actions relate to fitting the organisation to socially accepted forms and practices, and are reflected in isomorphic strategies (attempting to look like other organisations). *Informing* actions refer to communicating with constituents in ways that connect to selected terminology, images, beliefs and symbols that confer legitimacy on the organisation. *Manipulating* actions reach beyond choosing from among an existing array of socio-cultural norms and cognitive maps to encompass efforts to influence constituents’ perceptions – sometimes to the point of reframing social reality – by employing a number of tools associated with social marketing, advertising and advocacy and influence campaigns. It should be noted that while analytically informing can be separated from manipulating, the empirical distinction between them is not clear (Brinkerhoff, 2005).

**Table 2.2 - Alignment Strategies**

Legitimacy Strategy	Actions
<u>Conforming</u> – look like other organisations (isomorphism)	Organisation adopts structures, procedures and systems found in organisations of the same type or category that are perceived as legitimate.
<u>Informing</u> – communicate in ‘legitimated vocabularies’	Organisation communicates with stakeholders using terminology associated with socially legitimate goals, activities and outcomes.
<u>Manipulating</u> – exploit myths and ceremonies	Organisation manages myths (e.g. socially determined sense-making about cause and effect); ceremonies (e.g. socially appropriate procedures and practices); and symbols to create new beliefs and values through manipulation of cognitive legitimacy.

Adapted from Brinkerhoff (2005).

These three broad categories of managing organisational legitimacy are highly complex and are influenced by the variety of stakeholders and constituents, the links between the types of legitimacy and the importance of reputation.

In the following section, the second type of institutional management strategy based on communication is explained.

### **2.5.1.2 Communication Strategies**

Indeed, some are of the opinion that like most cultural processes, legitimacy management rests heavily on communication in most of the cases in the firm context. This rings true as communication between the organisation and its various stakeholders is considered an important part of the legitimacy management process (Ginzel et al., 1992). For example, drawing from the literature on organisational impression management and symbolic action (e.g. Pfeffer 1981; Elsbach 1994), Phillips, Lawrence & Hardy, 2004 also suggest that individual managers use language instrumentally in order to signal the appropriateness and effectiveness of organisational activities to internal and external organisational participants. In line with this, generally, organisational discourse theorists often highlight the role of language as both strategic expression and as the structuring grammar or expression. For example, authors such as Heracleous & Hendry (2000) and Giddens (1984) are of the opinion that discourses exhibit persistent, frequently implicit features such as consistent themes, metaphors and rhetorical strategies. However, these persistent characteristics are only brought into existence, and are reflexively monitored, through the communicative actions of a purposeful agent, the meanings of which are derived by reference to the semantic, situational or organisational context in which they occur (Golant & Sillence, 2007).

Another group of analysts add that organisational management is indeed a perception and acquiring it and maintaining it is about organisational perception management (Elsbach, 2003; MacLean & Behnam, 2010). This compliments the legitimacy theory arguments of Preston & Post (1975) and Patten (1992) who say that social disclosures can be viewed as a

method of responding to the changing perceptions of a corporation's relevant publics and Castello and Lozano (2011) expand on how rhetoric is used to gain legitimacy.

In short, a company can be perceived as legitimate because it acts in accordance with societal expectations, or because it successfully manipulates expectations and perceptions people have regarding the company. A company acting responsibly in the manner described in the ISO 26000 will gain legitimacy in the first way. Companies that engage in lobbying in order to change legal and public expectations try to become legitimate in the second way. Such a strategy is, for example, employed by the agricultural biotechnology corporation Monsanto which lobbies for the legalisation and social acceptance of its genetically modified crops. Monsanto invests about twice as much in lobbying than the second largest lobbyist in the industry (Heisey & Schimmelpfennig, 2006). The third way of becoming legitimate focuses on communication more than on actions. This approach focuses on the marketing of the firm's reputation, for example by engaging in highly visible philanthropic activities and communicating this engagement to a wide audience.

To conclude, institutional theory classifies the government as a key constituent of modern society (DiMaggio & Powell, 1983; Meyer & Rowan, 1977) and sees legitimacy as the definitive desired outcome for organisations, more so in institutionalised fields where organisations operate under government mandate (DiMaggio & Powell, 1983; Oliver, 1991). This is an important factor in the context of this research and will be further discussed in the "Results of Investigative and Research Questions" chapters.

This leads us to a description of how companies manage strategic legitimacy.

### **2.5.2 Managing Strategic Legitimacy**

The strategic approach to legitimacy promotes legitimacy as an operational resource (Suchman, 1995) which can be managed and directly influenced by company managers (Ashforth & Gibbs, 1990). According to this view, legitimacy resides in the “organisation’s ability to instrumentally manipulate and deploy evocative symbols in order to gain societal support” (Suchman, 1995, p. 572). From this point of view, legitimacy processes often involve conflict among social organisations, which is typically addressed through negotiation, decoupling (e.g. changing business practices by deploying formal structures that meet institutional demands but are disconnected from actual practice (Meyer & Rowan, 1977; Oliver, 1991; Scott, 1995; Westphal & Zajac, 1994) and impression management tactics (portraying structures and actions in ways intended to garner endorsement and support (Elsbach et al. 1992; Schlenker, 1980).

In view of this, strategic legitimacy is also described as a relationship with an audience (Ashforth and Gibbs, 1990), rather than an organisational resource as Suchman (1995) states. Ashforth and Gibbs (1990) cite the example of Asia, a fragmented institutional environment where small local firms predominate, and where satisfying or even recognising all factions may be a difficult task. This leaves organisations vulnerable to unanticipated changes in the mix of constituent demand, especially if mutual adjustment, isomorphism, and taken-for-grantedness impede their responsiveness to shifting conditions (Jepperson, 1991). For these reasons, even managers from local firms cannot assume legitimacy as a completed task as they have to deal with a variety of stakeholders protecting their past status (Ashford & Gibbs, 1990).

Another example illustrating the difficulty of gaining legitimacy is when companies embark on a new line of activity or enter a new market or country. In these settings,



organisations have to face the task of winning acceptance either for the activity in general or for their own validity as practitioners (Suchman, 1995). This “liability of newness” (Freeman, Carroll & Hannan, 1983) needs special consideration when operations are technically problematic or poorly institutionalised, as early entrants must devote a substantial amount of energy in defining new practices in a new sector or in a new country (Aldrich & Fiol, 1994). The liability of the newness is also taken into consideration when organisational objectives are contested or unconventional, and when the anticipated relationship with the organisation is lengthy and difficult to predict (Ashforth & Gibbs, 1990). As such, this legitimacy problem is especially acute for multinational enterprises working in different cultural sites that maintain different understandings of the role of business in society (Scherer et al., 2007).

In view of the above, the management of pragmatic legitimacy does not seem as straightforward as it sounds i.e. managing relationships and employing symbols. This will be further discussed in the following chapters. For now a look is taken at some of the critique launched at legitimacy theory by discussing the strategic and institutional frameworks.

## **2.6 Critique of the Strategic and Institutional Frameworks**

As seen in the above discussions, both bodies of literature (strategic and institutional) have taken divergent assumptions about agency and cultural embeddedness that have often led to a disconnection between both literatures (Suchman, 1995). On the one hand, institutional theories depend on broad cognitive aspects and adopt an inherently normative approach where legitimacy is “virtually synonymous with institutionalization” (Suchman, 1995, p. 576). Institutionalisation is seen as a process of acculturation which leads to imbibing myths and beliefs which are eventually accepted without much thought as they

assume a taken-for-granted status (Meyer & Rowan, 1991; Zucker, 1977). Therefore, the absorption of institutional myths confers legitimacy. However, even though legitimacy is said to improve organisational effectiveness, it does not necessarily improve organisational efficiency (Oliver, 1991; DiMaggio & Powell, 1983). Issues such as these result in the institutional approach being criticised as it underplays how different institutional forces pressurise organisations to prioritise different values (Friedland & Alford, 1991; Sonpar et al., 2010). This means that institutional prescriptions may not be consistent with each other and need to be negotiated (Dacin, Goodstein and Scott, 2002). Institutional legitimacy also does not take into consideration the complexity of how focal organisations and other stakeholders debate and discursively justify the legitimacy of an institution when controversies arise and when different types of legitimacy play a role (Patriotta et al., 2011).

On the other hand strategic theories are narrow and take into consideration the importance of stakeholders and the company's own ability to influence legitimacy at will as though it is truly an organisational resource which can be gained very easily and with few constraints. It does not sufficiently take into consideration the complexities of stakeholders's salience and the political aspects (Palazzo & Scherer, 2006) which may be very prominent in certain contexts such as the natural resources industries and the broader developing country contexts. Some of these issues are further developed in the contributions to theory section as some of the findings reinforced some of the above critiques.

## **2.7 Research Gap**

According to Sonpar, Pazzaglia and Kornijenko (2010), not many concepts in organisational sociology have received as much attention as organisational legitimacy (for

reviews, see Suchman, 1995; Johnson, Dowd & Ridgeway, 2006 and Bitektine, 2011), and yet a clear research gap was found. This gap is evident as organisational legitimacy has not been directly approached by looking at the collective, daily issues which affect organisations in its complex and broader environment which evidently includes external stakeholders. These issues referred to are described as controversial inconsistencies caused by gaps between the expectations of corporations and those of their publics which lead to contestable point of difference, the resolution of which potentially have significant consequences for an organisation (Heath, 1997; Wartick and Mahon, 1994). This section is divided into four sections. Firstly an overview of issues related to organisational legitimacy but which have not been investigated in relation to it is discussed under two broad categories (ethical issues and strategic management issues). Secondly, a summary of important studies related to organisational legitimacy is given. Thirdly and finally the section is concluded with a validation of the importance of studying organisational legitimacy from an issue-based perspective.

### **2.7.1 Two Broad Fields of Issues Related to Organisational Legitimacy**

It was observed that every day, dynamic and continuous issues involving external stakeholders collectively and which potentially have an influence on organisational legitimacy directly or indirectly were discussed in different areas of research and in different contexts but not in direct relation to organisational legitimacy theory. These fall in two broad categories – ethical issues and strategic management issues which are in fact part of the institutional and strategic theoretical traditions of organisational legitimacy which were elaborated upon before.

### 2.7.1.1. Ethical Issues and Organisational Legitimacy

Generally ethical issues fall under the institutional theory thread of organisational legitimacy. It is about how organisations build support for legitimacy by maintaining normative and widely-endorsed organisational characteristics (Di Maggio et al, 1983; Scott, 1991). In view of this, ethical issues are considered more relevant to organisational legitimacy than strategic management issues as these are based upon the viewpoints of external stakeholders who may bestow or withdraw legitimacy based upon the company's adherence to society's norms and values (Merkelsen, 2011; Graafland, 2002; Elkington, 1997; Dunfee, Smith & Ross, 1999; Shocker & Sethi, 1974) or some degree of shared agreement among societal constituencies or stakeholders that an organisation is legitimate or aligned with accepted notions of purpose, endeavor and outcomes (Wood, 1991; Aldrich & Fiol, 1994; Clarkson, 1995; Hillman & Keim, 2001; DiMaggio & Powell, 1983; Dowling & Pfeffer, 1975; Brinkerhoff, 2005).

Ethical issues (Crane & Matten, 2004; Elkington, 1997; Donaldson & Dunfee, 1999; Elfstrom, 1999; Graafland, 2002) to be considered in the context of organisational legitimacy include firstly *corporate social responsibility* (Basu & Palazzo, 2008; Balabanis, Phillips and Lyall, 1998; Banerjee, 2007; Claasen & Roloff, 2012; McWilliams & Siegel, 2001; Fox, 2007; Greenfield, 2004); secondly *social issues* and *social issue participation* (Davis, 2005; Margolis & Walsh, 2003; Sethi, 1979; Luthans & Hodgetts, 1976; Carroll, 1994; Carroll, 1979; Hillman & Keim, 2001; Zairi & Peters, 2002; McWilliams & Siegel, 2001; McGuire, Sundgren, and Schneeweis, 1988; Steiner, 1971; Ackerman, 1975); thirdly, *stakeholder issues* (Freeman, 1984; Freeman, Harrison, Wicks, Parmar and de Colle, 2010; Roloff, 2008; Boutilier, 2009; Carroll & Buchholtz, 2006; Armstrong, 2005; Atkinson, Waterhouse and Wells, 1997) and fourthly, *wicked issues* (Sachs, Ruhli and Meier, 2010).

Other important authors expanded and keep on elaborating on the ethical and moral aspects of the business and society relationship (Solomon, 1992; Frederick, Post and Davis, 1992; Steiner, 1971 and Crane and Matten, 2004). Steiner (1971) explains that often ethical issues concerns “freedom of business activity versus government regulation and the expectations of society” (pg. 5). From a company perspective, corporate social responsibility has acquired growing importance, as it is considered a legitimating activity for the organisation in the eyes of society (Deegan, 2002, p. 292; Neu, Warsame and Pedwell, 1998). In fact, corporate social responsibility is described as “actions that appear to further some social good, beyond the interests of the firm and that which is required by law” (McWilliams & Siegel, 2001 pg. 117). However, as stressed before, issues classified under the banner of corporate social responsibility are not discussed in relation to organisational legitimacy specifically but rather point to differences and inconsistencies between the actions of companies and the expectations of society as a whole. It is not discussed how these issues affect organisational legitimacy.

Ethical issues are also very closely linked to the literature on “social issues” (Carroll, 1979; Hillman & Keim, 2001; McGuire, Sundgren, and Schneeweis, 1988; Steiner, 1971) which exclusively concentrate on issues affecting society. Hillman and Keim (2001) also talks about social issue participation which refers to “elements of corporate social performance that fall outside of the direct relationships to primary stakeholders” (pg. 128). They cite 57 examples which include “avoiding nuclear energy, not engaging in ‘sin’ industries (alcohol, tobacco, and gambling), refraining from doing business with countries accused of human rights violations, refusing to sell to the military, etc.” (pg.128). In view of the above, social issue participation may be characterised as pertaining to a more “broad” definition of social responsibility beyond the primary stakeholder exchange (Mitchell et al., 1997) that recognises companies can be affected by or affect almost anyone (Hillman & Keim, 2001).

Furthermore, ethical issues are obviously also linked to stakeholder issues which are described as “nonmarket forces that affect organisations and individuals, such as moral, political, legal and technological interests, as well as economic factors” (Weiss 2008, pg.29). It is also asserted that “the survival and continuing profitability of the corporation depends upon its ability to fulfill its economic and social purpose, which is to create and distribute wealth to ensure that each primary stakeholder group continues as part of the corporation’s stakeholder system” (Clarkson 1995, pg. 107). Issues in this context are more often than not handled in a reactive manner and the relational aspects are often stressed. In fact, with regards to this, the literature highlights stakeholder management which “provides a framework that enables users to map and, ideally, manage the corporation’s relationships (present and potential) with groups to reach “win-win” collaborative outcomes” (Weiss 2008, pg. 49). Nonetheless, this does not always happen in the real world as there are usually winners and losers in complex situations in which there are limited and scarce resources which are won by some and lost by others (Weiss, 2008). Additionally, as was seen before, the argument is also made that stakeholder issues may also be classified under strategic issues. Regarding this point, “issues management” is discussed in the second broad category labeled “strategic management issues” which is discussed later. 58

For now, finally on ethical issues, Sachs, Ruhli and Meier (2010) focused on yet a different angle which examines how different stakeholders can address what they call “wicked issues with a global scope” (pg. 57), and the consequent demands of these “wicked issues” on governance systems. In fact these “wicked issues” are global issues that are sufficiently far-reaching to permeate different economic and political systems. Yet again, it is obvious that such issues may, more often than not, affect organisational legitimacy but no evidence was found that research to this effect has been conducted.

Following is a discussion of the second category of issues which address strategic management issues.

#### **2.7.1.2 Strategic Management Issues and Organisational Legitimacy**

The second category of issues potentially affecting organisational legitimacy but which have not been specifically investigated with regards to it and from an external stakeholder point of view are strategic management issues (Mahon and Waddock, 1992; Buchholz, Evans and Wagley, 1985; Laws, 1995; Heath and Palenchar, 2008). Strategic management is defined as consisting of the analysis, decisions, and actions an organisation undertakes (Dess, Lumpkin and Taylor, 2005). Another definition is based directly on the shareholder model of the company and stresses that strategic management analyses the major initiatives taken by a company's top management on behalf of owners, involving resources and performance in external environments (Nag, Hambrick and Chen, 2007). Clearly, the emphasis here is on firstly paying attention to making profits for shareholders and to do it in such a way as not to jeopardise the company's success on the long run. Therefore, in contrast to the ethical issues discussed before, the issues categorised here has to do with what a company does to ensure principally its economic success.

Linking strategic management issues to legitimacy, it is observed that legitimacy studies depict legitimacy as an operational resource that organisations extract, often competitively, from their cultural environments and that they employ in pursuit of their goals (Suchman, 1995; Ashforth & Gibbs, 1990). In this case, a managerial perspective is adopted and emphasise the way in which organisations instrumentally manipulate and deploy evocative symbols in order to garner societal support (Suchman, 1995). This was discussed in detail previously under “sources of strategic legitimacy”.

Strategic management issues are further divided into firstly, *socially responsive management* (Murray & Montanari, 1986; Norris and O'Dwyer, 2004; Frederick, Post and Davis, 1992), secondly *issues management* (Mahon & Waddock, 1992; Wartick & Rude, 1986; Heath, 2002; Dougall, 2008; Arrington & Sawaya, 1984); thirdly *risk issues management* (Drew, Kelley and Kendrick, 2006; Regester & Larkin, 2005; Levinsohn & Williams, 2004), fourthly *public relations* (Bowen, 2004; Grunig, 2003; Dougall, 2011; 2005; Clark, 2000; Chase, 1984; Heath and Cousino, 1990; Regester and Larkin, 2005; Heath, 2011; Arrington and Sawaya, 1984), and fifthly single issues (Dougall, 2011; Acutt, Medina-Ross and O'Riordan, 2004; Elsbach, 1994).

The first area of research which falls in this category is the “socially responsive management” field which refers to the fact that management has to take into consideration that a company’s core activities have the greatest impact on society and that it is important to keep in mind that this might affect productivity. It is argued that this category is closely related to corporate social responsibility and thus ethical aspects but is considered more part of company strategy because of its emphasis on company success related to strategic decision-making. According to Frederick, Post and Davis (1992), here the macroenvironment is divided into four segments: firstly the political segment (e.g. political relationships, political processes, political change etc.); secondly the economic segment (eg. Interest rates, unemployment, foreign imports, balance of payments etc.); thirdly the social segment (e.g. demographics, lifestyles, social values etc.) and finally the technological segment (e.g. products/processes, innovation, scientific discovery etc.). These segments are specifically identified according to corporate strategic considerations and involve “the values and ethics of management, the interests of various stakeholders, and the web of social issues and problems that are a vital dimension of the environment” (Frederick et al. (1992), pg. 105). In view of the above, in order to formulate a socially



responsible strategy, a framework of environmental information is developed through environmental scanning to identify issues (Frederick et al., 1992). This type of scanning is broadly divided into two categories – firstly trend analysis (attempts to understand and extrapolate the implications and consequences of current trends into the future) and secondly issues analysis (involves a careful assessment of specific concerns that are having, or may have an impact on society) (Frederick et al., 1992).

The second sub-category discussed here is “issues management” which was created in the 1970s as a response strategy and early warning tool for dealing with the emergent and robust protest against business in the USA mainly provoked by growing publicity and political clout of activists (Heath, 2002). It is described as an “anticipatory, strategic management process that helps organisations detect and respond appropriately to emerging trends or changes in the socio-political environment (Dougall, 2008). In view of this, it should be looked at as a management strategy and not merely as communication or issue monitoring. This is in line with Heath (2002) who researched 350 articles and books on the topic. This specific study showed that approaching issues from a strategic management point of view, “is being vigilant for threats and opportunities that can affect how the organization achieves its mission and vision” (Heath, 2002 pg. 210). This means that this approach includes strategic options such as strategic business planning (it supports strategic planning by keeping it aware of threats and opportunities from the opinions of key publics and markets that can influence the public policy arena); getting the house in order (it seeks to understand and implement standards of corporate responsibility that meet or exceed stakeholder expectations); scouting the terrain (it requires issue scanning, identification, monitoring, analysis and priority setting) and strong defense and smart offence (it gives substance and rationale for issue communication) according to Heath

(2002). Indeed issues management aims to “make a smart, proactive and even more respected organization” (Heath, 2002 pg. 211).

The third set of issues which is classified under “risk issues management” is related to issues management which is discussed above. Risk issues management has become critical as a result of globalisation and the continued quest for greater returns (Clarke & Varma, 1999). It is argued that an integrated risk management approach allows companies to consistently deliver superior performance while proactively managing risks. As a result, risk is regarded as a key strategic issue as business is about risk and the old saying, “The bigger the risk, the greater the reward” (Porter, 1997) is still widely believed. Unfortunately, the rewards do not always follow as investors, creditors and employees expect companies to turn in consistently strong performances, providing them with return interest or pay commensurate with various degrees of security. It is therefore asserted that without risk there can be no reward. However, even if there may well be a normal distribution of risk and returns performance, some companies seem to comprehend risk more effectively than others and this shows in their long-term stock prices (Clark & Varma, 1999). For instance, in some cases where certain risks were taken, huge returns and pay outs were at the order of the day while for others, poor risk management destroyed the company (Clark & Varma, 1999). According to Clark and Varma (1999), risk can best be understood in terms of its two main elements: ‘stake’ and ‘uncertainty’. Each element usually has a gain and a loss potential. The stake may be a financial gain or loss; an improvement or deterioration in strategic position; an improvement in, or a damage to reputation; a threat to a company's existence; or an increase or decrease in its sense of security. The higher the stakes, the greater the potential gains or losses. Once again, it is clear that these types of high risk issues may potentially damage organisational legitimacy

depending on the gravity of the outcome of the corporate action and yet again, no studies have been done specifically linking risk issues to organisational legitimacy.

The final set of issues in this broad category of strategic management issues is related to “public relations” which is described as the practice of managing the flow of information or communication between an individual or an organisation and the public (Grunig and Hunt, 1984). The aim of public relations by a company generally is to persuade the public, investors, partners, employees, and other stakeholders to maintain a certain point of view about it, its leadership, products, or of political decisions (Rubel, 2007). An important technique used in public relations is to pinpoint the target audience, and to tailor every message to appeal to that specific audience. It can be a general, nationwide or worldwide audience, but it is more often a segment of a population (Seitel, 2007). However, often public relations are seen as greenwashing (Ramus & Montiel, 2005; Banerjee, 2007). For example, in the case of environmental policy statements of companies, the question of whether they accurately represent corporate commitment to environmental sustainability. As companies are not required by law to publish environmental policy statements or to verify that these statements are true using independent third parties, external stakeholders often wonder when a published commitment to a policy translates into actual policy implementation (Sharma, Pablo and Vredenburg, 1999). In view of this, it is clear that important issues are sometimes only addressed strategically through a public relations approach.

Following is a summary of important and relevant studies regarding organisational legitimacy which have been conducted but which have not addressed the issue of how every day, dynamic and continuous issues related to external stakeholders affect organisational legitimacy.

## **2.7.2 Specific Studies Related to Organisational Legitimacy in Current Literature**

As mentioned before, the concept of organisational legitimacy has been studied from numerous angles over the past few decades. For example, studies published, especially since the 1970s, include reasons why stakeholders attribute legitimacy to organisations (Dowling & Pfeffer, 1975; Wood, 1991; Aldrich & Fiol, 1994; Scott & Meyer, 1991; Epstein & Votaw, 1978; Ashforth & Gibbs, 1990); how evaluators actually render legitimacy (Bitektine, 2011); which external stakeholders render legitimacy (Certo, 2003; Fiss & Zajac, 2006; Ashforth & Gibbs, 1990; Elsbach, 2003); why and how employees render legitimacy (MacLean & Behnam, 2010; Wood, 1991); how legitimacy benefits organisations (Baum & Oliver, 1991; DiMaggio & Powell, 1983; Dowling & Pfeffer, 1975; Zimmerman & Zeitz, 2002); how organisations can gain legitimacy through conformance (DiMaggio & Powell, 1983; Dowling & Pfeffer, 1975), discursive means (Castello & Lozano, 2011; Heracleous & Hendry, 2000; Giddens, 1984); or adoption of new practices (Golant & Sillince, 2007; Rao, 1994; Suchman, 1995; Suddaby & Greenwood, 2005); how organisations can maintain legitimacy in times of crisis (Elsbach, 1994; Suchman, 1995; Warren, 2003); or in which situations they can lose legitimacy (Sine & David, 2003; Kostova & Zaheer, 1999); how legitimacy can be measured (Vergne, 2011) and more currently, how individuals make judgments about legitimacy (Tost, 2011). Also, in the field of international development, legitimacy is brought up in two discourses. Firstly, it has been addressed, more or less explicitly, in treatments of institutional development and systems approaches to sustainability (see Brinkerhoff, 1986). Secondly, and more recently, legitimacy has emerged as an area of concern and inquiry for non-governmental organisations (NGOs), linked to questions of representation and accountability (Hudson, 2000; Lister, 2003).

After this overview of issues and studies already conducted on organisational legitimacy, following is a validation of why studying organisational legitimacy from an issue-based approach based on the input of external stakeholders is important.

However, organisational legitimacy is rather considered to be part of the ethics category and not part of strategy. Ideally, organisational legitimacy should be approached from an issue-based perspective built on primarily the perceptions and input of external company stakeholders.

### **2.7.3 Validation of the Issue-Based Approach to Organisational Legitimacy**

This research supports the idea that organisational legitimacy needs to be studied by looking more closely at the different everyday political, economic and social issues in companies' external complex environment and by employing a type of classification system for identified issues to facilitate management of these issues. As was shown in the previous discussions, this was not done before. As a consequence, this research supports the perception that legitimacy is a complex phenomenon which is composed of different factors in continual flux (Sutton, 1993) involving a number of external stakeholders. In fact legitimacy is here described as a syncretic concept which blends different ideas sharing a similar base in tradition (Sutton, 1993). The interaction and interdependence of these ideas support this description, and work together to define the legitimacy of an institution. For example, the pluralism of belief in many societies, the transnational reach of companies, and the difficulty of identifying the actual locus of power within these organisations, all play an important role in identifying a more objective view of legitimacy (Sutton, 1993).

Consequently, in this research company legitimacy is identified as being dependent on a dynamic, multifaceted and continuously changing group of predominantly external economic, political, social, environmental and legislative factors and issues which influence the company's legitimacy to varying degrees. In order to manage such an intricate maze of mostly external issues and influences described above, it is postulated that there is a need for distinguishing a coherent, generalisable typology of organisational legitimacy which will facilitate the management of organisations' overall legitimacy. This fact has already been recognised and addressed but only to some degree in organisational theory and related fields (Bitektine, 2011) such as business ethics under which this research is classified.

In view of this, this research further explores this area by investigating two crucial factors – Firstly, the specific types of issues which may collectively or singularly influence organisational legitimacy are investigated. According to Ashforth and Gibbs (1990), this might be a difficult task as legitimacy is, more often than not, considered a complex and problematic concept. Shocker and Sethi (1974) also said that legitimacy is influenced by social values and expectations which are often contradictory, evolving, and difficult to operationalise. In order to address this issue to some extent, it is suggested that a clear categorisation system which takes into consideration context (political, economic, social, environmental and legislative) and nature (moral, pragmatic and cognitive), need to be developed to classify issues even if these might overlap to various degrees resulting in an interconnected pattern of political, economic, social and environmental issues.

Furthermore, generally, in order to optimise output, issues affecting organisational legitimacy need to be managed proactively and continuously by taking into consideration the expectations of company stakeholders who, as was mentioned above, may bestow

companies with legitimacy or withhold legitimacy. In this study stakeholders are regarded as "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984, pg. 46). However, from the above it sounds as though it is suggested that when a company practices mere stakeholder management, legitimacy is positively influenced. The reason for this is because legitimacy and stakeholder theory are indeed linked to each other. This is an important point which cannot be ignored as, for example, Gray, Kouhy and Lavers (1995) state that to treat legitimacy theory and stakeholder theory as two totally separate theories would be incorrect because they are two overlapping theories that are different in their levels of perception and declaration rather than two competing theories. This means that both legitimacy theory and stakeholder theory concentrate on organisations and societal interactions but their approaches to decomposing this social complex phenomenon are different (Chen & Roberts, 2010). The focus of this research is predominantly on legitimacy theory as issues directly affecting legitimacy are studied, and as will be shown later, often stakeholder theory only partially addresses legitimacy issues as its focus is mainly on pragmatic legitimacy.

Following is a summary of this stage-setting chapter.

## **2.8 Summary**

This chapter laid the foundation for the rest of this study. The aim here was to examine the current literature on organisational legitimacy and to justify this research by identifying a clear research gap. This was accomplished by investigating key points such as the main theories, the principal sources of legitimacy and the different management approaches. Table 2.3 below summarises this discussion. Logically, the main aim of the following

chapters is to show how this investigation contributes to current literature on organisational legitimacy by addressing the identified research gap.

**Table 2.3 Legitimacy Theories**

	Strategic Legitimacy	Institutional Legitimacy
<b>Main Focus</b>	Legitimacy is based on strategic exchanges involving stakeholder relationships and symbols.	Legitimacy is based on conforming to society's values and expectations.
<b>Main Characteristics</b>	Pragmatic, evaluative e.g. stakeholders recognise the specific or generic contribution to their well-being (Golant & Sillince, 2007) Instrumental - Legitimacy is deliberately pursued or ignored by subordinate actors. Managerial perspectives on how to gain legitimacy from society and build up legitimacy as a resource similar to other organisational assets (Suchman, 1995). The role of managerial agency in addressing legitimacy threats and garnering social support (Elsbach, 1994; Oliver, 1991; Pfeffer, 1981; Pfeffer & Salancik, 1978).	Normative, cognitive e.g. audiences may accept claims for the normative appropriateness of the organisational results/structural and operational systems given their link to broad societal values and institutional standards (Golant & Sillince, 2007). Emphasises ways in which sector-wide structuration dynamics generate cultural pressures that transcend any single organisation's purposive control. Legitimacy is viewed as something that is virtually synonymous with institutionalisation (process of acculturation which leads to absorbing myths and beliefs) which are eventually accepted without much thought as they assume a taken-for-granted status (Meyer & Rowan, 1977; Zucker, 1977; Sonpar et al., 2009). Focus on how cultural environments and symbolic systems influence legitimacy processes (Friedland & Alford, 1991)
<b>Main Authors</b>	Oliver, 1999; Suchman, 1995; Ashforth & Gibbs, 1990; Dowling & Pfeffer, 1975; Pfeffer, 1981; Pfeffer & Salancik, 1978; Freeman, 1984; Mitchell et al., 1997	DiMaggio & Powell, 1983; Meyer & Rowan, 1991; Meyer & Scott, 1983; Powell & DiMaggio, 1991; Zucker, 1987; Hannan & Freeman, 1983; Suchman, 1995
<b>Main Theoretical Approaches</b>	Resource dependency theory (e.g. Dowling & Pfeffer, 1975; Pfeffer & Salancik, 1978; Ashforth & Gibbs, 1990). Stakeholder theory (Freeman, 1984; Mitchell et al. 1997; Ashford & Gibbs, 1990)	Neo-institutional approaches (e.g. Powell & DiMaggio, 1991; Meyer & Rowan, 1991; Scott, 1995). Organisational population ecology (Hannan & Freeman, 1989; Zucker, 1989).
<b>Sources of Legitimacy</b>	Employment of symbols (Richardson, 1985; Suchman, 1995; Ashforth & Gibbs, 1990). Long-term relationships (Barney, 1991). Addressing stakeholder expectations (Freeman, 1984; Mitchell et al, 1997) Strategic public relations (Palazzo & Scherer, 2006). Negotiation, decoupling (Meyer & Rowan, 1977; Oliver, 1991; Scott, 1995; Westphal & Zajac, 1994) and impression management tactics (Elsbach et al. 1992; Schlenker, 1980).	Communication and deliberation (Palazzo & Scherer, 2006; Suchman, 1995; Elsbach, 2003; MacLean & Benham, 2010; Ginzal et al., 1992; Heracleous & Hendry, 2000; Giddens, 1984; Gollant & Sillince, 2007; Zilber, 2002; 2006 and language and analogical reasoning (Alvesson, 1993; Cornelissen & Clarke, 2010; Green, 2004 and Patriotta, Gond and Schultz, 2011). Adoption and building of widely used practices; isomorphism (Elsbach, 1994; Powell et al., 1991; Suddaby & Greenwood, 2005; DiMaggio & Powell, 1983). Adoption and widely endorsed characteristics (DiMaggio et al., 1983; Scott, 1991; Powell & DiMaggio, 1991). Conforming, informing and manipulating (Suchman, 1995; Cashore, 2002; Brinkerhoff, 2005).
<b>Management Approaches</b>	Managing relationships (Barney, 1986; Dowling & Pfeffer, 1975)	Managing processes according to widely endorsed and accepted practices and characteristics.
<b>Critique</b>	Overly focused on pragmatic legitimacy, assuming that companies have the power to strategically influence their societal context and manipulate the process of legitimacy ascriptions (Palazzo & Scherer, 2006).	Static, constrained and over-socialised view on legitimacy (DiMaggio & Powell, 1983). Underplays how different institutional forces may pressurise organisations to prioritise different values. Not paying attention to how focal organisations and other stakeholders discursively justify when controversies arise (Patriotta et al. 2011).

Following is an introduction of Namdeb, the company investigated in this study.



#### **3.1 Introduction**

This chapter mainly provides background and contextual information on Namdeb, the company studied in this research. It is divided into six main sections. Firstly, a historical and economic overview of Namibia, the country in which Namdeb is based, is given. Secondly, a summary of Namdeb's background is provided. Thirdly, an overview of Namdeb's role in the Namibian economy, including its overall contribution to the country's development is given. Fourthly, the shareholders, De Beers and the Government of Namibia are discussed. Fifthly, a discussion of the company's stakeholders is advanced. Finally, the chapter is concluded with a summary of the most prominent issues influencing Namdeb's business environment.

The following section describes Namibia's historical and economic background in a nutshell. This information is important as it contextualises the study and facilitates understanding of the current political, social and economic situation in Namibia.

#### **3.2 Historical and Economic Background of Namibia**

Namibia is a big country with a small population of only two million people (Fuller and Prommer, 2000). The country became independent from South Africa in 1990 after 42 years of South African Apartheid rule. Before this, in a nutshell, the United Kingdom annexed the harbour of Walvis Bay in 1878, and in 1883 Adolf Luderitz claimed the rest of the coastal region for Germany (Dobell, 1997). In 1884 all of the country was declared a German protectorate (Dobell, 1997). The colonial period was violent and the Germans controlled land, mineral and other resources by a mixture of purchase, theft and application of superior military power, according to NPC, 2003. From 1904-1908, a war of resistance

prevailed and nearly half of the Namibian population was exterminated (NPC, 2003). After 1908 Namibians living in the 'Police Zone' were prohibited from owning cattle, and were forced to take work on white-owned farms, or as indentured labour (NPC, 2003). Ethnically divided 'native reserves' were established (NPC, 2003). German rule ended in Namibia at the time of World War 1 and in 1920 the League of Nations granted South Africa a mandate which gave it full power of administration and legislation over territory (NPC, 2004). This country was supposed to promote the material and social well-being of the people of Namibia but this was not done and farmland previously taken over by Germans was now given to Afrikaners (NPC, 2003). Under apartheid rule, Namibia's land was divided into different homelands for different racial groups with the most productive land reserved as 'commercial farmland' (NPC, 2003). Resistance to this oppressive rule began in the 1950's and intensified over the years. South Africa was put under pressure by United Nations Resolution 435 and finally Namibia gained independence on 21 March 1990 after a total of 106 years of colonial rule (NPC, 2003).

Today Namibia is classified a middle-income country which is hampered by social and economic inequalities (World Bank, 2011). The country is also vulnerable to short- and long-term environmental shocks as all principal sources of growth depend heavily on Namibia's fragile ecosystem. These aspects have contributed towards making job creation difficult and poverty and inequality are extremely high (World Bank, 2011). However, Namibia has also made significant progress in addressing many development challenges – access to basic education, primary health care services and safe water has improved a lot since independence (World Bank, 2011).

Despite these positive changes though, numerous and serious challenges still exist. For example, the unemployment rate is currently 51.2% and even though Namibia's per capita

income of US\$4,820 places it in the World Bank's upper-middle income grouping, average income does not show the real picture as Namibia has one of the most unequal income distribution in the world (World Bank, 2011; African Economic Outlook, 2012). Furthermore, the country's economy slowed down in 2011 with a GDP growth rate of 3.8%, a decrease from the 6.6% in 2010 as a result of modest performances in the mining and agricultural activities (African Economic Outlook, 2012). After years of fiscal surpluses which were a result of prudent economic macroeconomic policies, the fiscal situation has deteriorated substantially, reflecting the global economic crisis and expansionary policies to support growth (African Economic Outlook, 2012).

This research is broadly situated in the natural resources industry, specifically the diamond mining industry. The company investigated is Namdeb, PPJV between the Government of Namibia and De Beers. Following is a description of the company.

### **3.3 Namdeb's Background**

Namdeb, a diamond mining company, was established in 1994, four years after the independence of Namibia from South Africa. The company is owned by two shareholders – De Beers and the Government of Namibia which each hold 50 % of the total shares. Furthermore, the company's board consists of 13 members who represent both shareholders. The Namdeb headquarters are based in Windhoek, the capital city, while the mines themselves are located 890 kilometres from there, in the south-western corner of the country (Figure 3.1. – Map of Namibia). The company's main mining operations take place here – the sea-based operations along the south-west coast and the mainland-based operations in Oranjemund and satellite mines in Lüderitz and along the Orange River (see map below). Namdeb currently holds nine mining licences (Mining Area 1, Bogenfels, Elizabeth Bay Mining Licence, Douglas Bay Mining Licence, Orange River Mining

Licence and the Atlantic Mining Licence) and has a workforce of approximately 1 600 making it the second largest employer in the country after the Government (De Beers, 2011).

Before independence in 1990, Namibia's diamonds were solely exploited by Consolidated Diamond Mines (CDM)<sup>8</sup>, a company wholly owned by the Oppenheimer family. De Beers was established in 1880 and its name was borrowed from the brothers who owned the farmland where some of the most productive mines were found. The company owned all South African diamond mines at the time (Kretschmer, 1998; Kempton & Du Preez, 1997). A German immigrant, Ernst Oppenheimer, an already very wealthy businessman in particularly the gold mining industry wanted to expand his business empire into the diamond mining industry but was viewed as "an over-ambitious nouveau riche" (Kretschmer, 1998, pg. 1), and board members blocked his way into De Beers' board for decades. However, Oppenheimer gradually bought blocks of De Beers shares whenever they came up for sale, until he was finally one of the two most significant single shareholders, the other being Solly Joel, his friend and business partner (Kretschmer, 1998). Finally, Oppenheimer gained full control and ownership of De Beers in 1926 (Kretschmer, 1998).

When the country became independent in 1990, the new Namibian Government did not only opt to engage in an equal PPJV with De Beers because of the company's know-how and dominant position in the international diamond market (Even-Zohar, 2007) but also

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<sup>8</sup> CDM is De Beers today. De Beers is discussed in more detail below.

because prior to independence, SWAPO promised South Africa that its companies would maintain their lucrative concessions<sup>9</sup> (Roberts, 1996).

Figure 3.1 Map of Namibia



Source: Adapted from The World Fact Book (2011)

More in-depth information about Namdeb’s operations will be disclosed in this chapter as well as in the following chapters. For now a look is taken at the company’s role in the Namibian economy.

<sup>9</sup> The reasons for this decision is further elaborated upon in the results chapter.

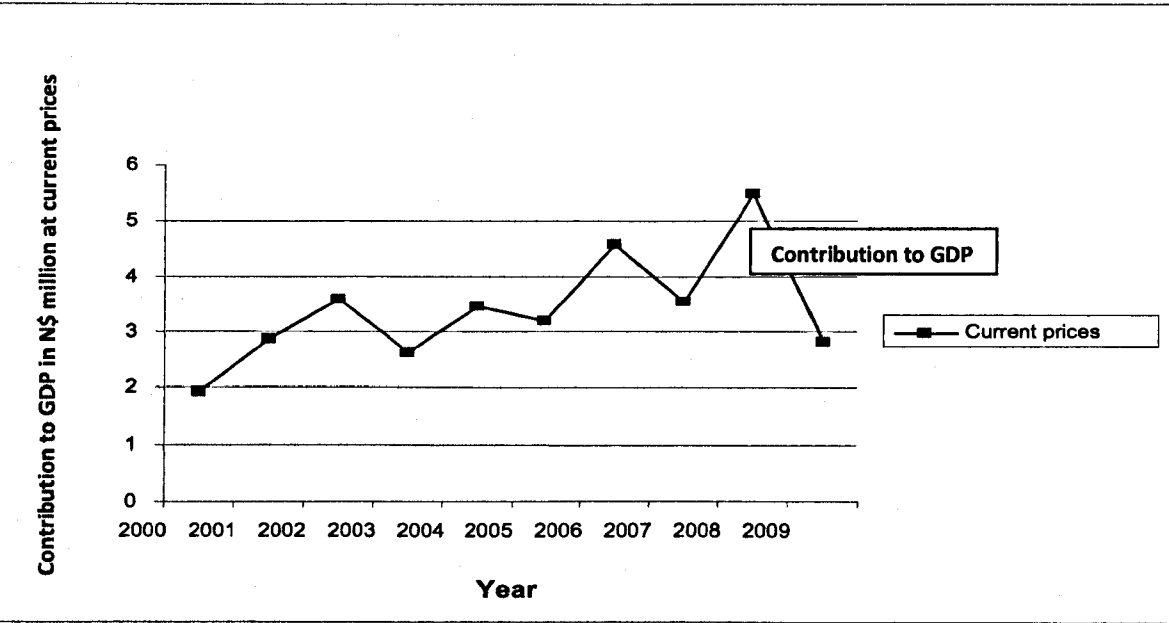
### **3.4 Namdeb's Role in the Namibian Economy**

Mining is currently the fifth largest industry in the world, playing a vital role in world economic development with, for example, the trade of mineral commodities representing a substantial part of international trade (Madeley, 1999; Pastizzi-Frerencic, 1992). In the case of Namibia, a country with only 2,2 million inhabitants (World Bank, 2011), mining also plays a crucial role. In 2009, for example, the mining industry was the fourth largest contributor to the nominal gross domestic product (GDP) (Namibia Trade Directory, 2011). Regarding the diamond mining industry specifically, Namibia is the world's sixth largest producer (Weidlich, 2008). In fact, since independence in 1990, diamond exports contributed on average 14.5 % to the GDP and constituted 39 % of the value of total exports, while taxes and royalties on diamonds contribute on average 6.5 % of central government revenues (IMF, 2008). In the past the diamond industry was the largest contributor to the Namibian GDP with a compounded annual growth rate (CAGR) of 13.5 % between 2000 and 2006 (Namibia Trade Directory, 2011). Indeed the diamond industry was at the core of the Namibian mining sector, contributing as much as 87.9 % to the industry in 2003 (Namibia Trade Directory, 2011).

Yet, around the end of 2008, the diamond industry's contribution started to decline because of stabilisation in output and the impact of the global recession, as well as the emergence of a robust uranium industry (Weidlich, 2008). By 2009 the diamond industry represented only 36 % of the mining industry (Namibia Trade Directory, 2011). Figure 3.2. below illustrates the industry's steady contribution to the GDP from 2002-2009. In 2008, an all-time high was experienced but just the following year, a serious decrease in contribution occurred because of the international economic crisis when diamond production in the country plunged to 929,006 carats from 2.22 million carats (Lourens, 2010). However, in 2010, sales improved again by 22 % and diamond output increased by 60 % (Duddy,

2010). Nevertheless, in 2011 the industry was still considered to be fragile in the wake of the global economic crisis by the CEO of Namdeb, Inge Zaamwani-Kamwi (De Beers, 2011). These fluctuating numbers are a demonstration of the volatility of the diamond mining industry which is easily and greatly affected by the international market.

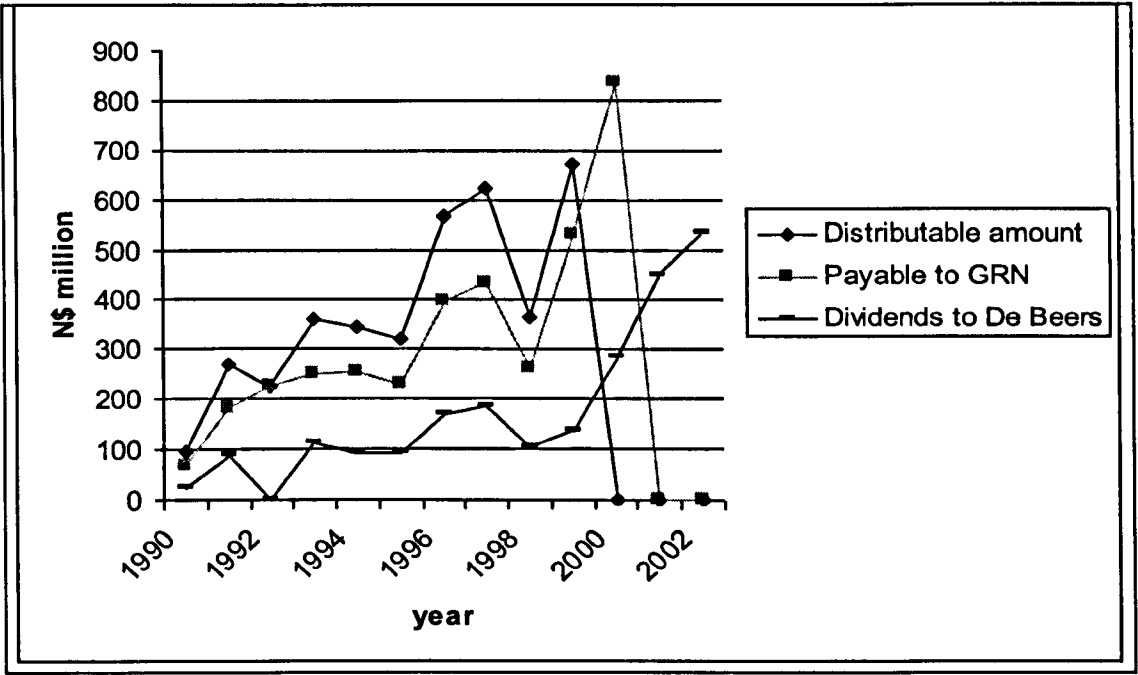
**Figure 3.2. Contribution of Diamond Mining to the Namibian Gross National Product (GDP) from 2000-2009**



Nevertheless, regardless of the negative impact of the international financial crisis, Namdeb, the main diamond mining company in Namibia still contributed more to the national GDP than all other mining activities combined, and has earned one third of overall foreign earnings (De Beers, 2011). In the last five years alone, Namdeb has paid almost N\$4 billion in remuneration to employees, who then paid more than N\$ 600 million in income tax (De Beers, 2011). The total distribution of Namdeb’s profits to the Government of Namibia for the period for 1990-2002 is summarised in figure 3.3 below. Diamond mining companies are taxed with 55 % corporate profit tax opposed to 37.5 % for other minerals and 35 % for any other business. For rough diamonds that are exported 10 %

royalty is imposed (IMF, 2008). In sum, Namdeb makes a major contribution to Namibia’s economy and the government’s budget by contributing a larger share of its profit than other businesses do. Furthermore, with its focus to sustain mining operations to 2050 and beyond, Namdeb promises to continue to remain a significant contributor to the national economy (De Beers, 2011).

**Figure 3.3. Distribution of Namdeb’s Profits to the Govenment of Namibia and De Beers from 1990-2002**



(Source: Boer & Sherbourne, 2004: 7)

In the next section a description of Namdeb’s two shareholders, De Beers and the Government of Namibia is provided.

**3.5 De Beers as Equal Shareholder**

De Beers is a South African company founded by Cecil Rhodes in 1880. Since 1902 the family Oppenheimer runs the company and developed it into one of the world’s most successful cartels (Gupta, Polonsky, Woodside & Webster, 2010; Spar, 2006). For many



decades De Beers dominated the diamond market holding a share of 80 % (Gupta et al., 2010). However, during the past two decades the share declined to 35 % (De Beers, 2011), mainly because of a series of political and other changes in southern Africa and Russia.

The first political change making a dent in the company's monopolistic position took place in 1991 when the Soviet Union, the world's second-largest producer of diamonds, by value, collapsed. The Soviets already discovered rich deposits in Siberia in 1958 but kept it secret and when word of the discovery reached the West around 1991, De Beers' shares plummeted to 30% (Stein, 2001). Recognizing the precariousness of his company's position, Harry Oppenheimer, chairman at the time, persuaded the anti-apartheid, anti-capitalist Soviet regime to sell its entire production to the De Beers-owned Central Selling Organisation (CSO)<sup>10</sup>, thereby preserving De Beers' single marketing channel. But the disintegration of communism made it difficult for De Beers to protect this agreement. While De Beers and Russia have had a series of contracts since, an increasing percentage of Russian diamonds are now sold outside the CSO (Misser, 1995).

The second political change came about in 1996 when Australia's Argyle diamond mine became the first major producer to terminate its contract with De Beers (McAdams & Reavis, 2008). Argyle produces a great number of diamonds (McAdams & Reavis, 2008) and while most are of poor quality, De Beers found a use for them with the growing

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<sup>10</sup> Soon after Oppenheimer took control of De Beers in 1902, he established a CSO called THE DIAMOND CORPORATION. This organisation sought to make outside competition practically impossible, because diamond producers are obliged to sign exclusivity agreements with the CSO (Epstein, 1985). Today the CSO is called the Diamond Trading Company (DTC) and is De Beers' London-based marketing arm (Roberts, 2007). The CSO indeed serves as a clearinghouse for the entire industry. It regulates the quantity and price in the market. Packages of diamonds are bought and sold at sights, held ten times a year in London, on a take-it-or-leave-it basis. As it remains a privilege to attend sights by the CSO, few buyers refuse a package offered to them. The attempt to negotiate over quantity and price of the offered package could well lead to the sight holder not being invited again (Roberts, 2007; Stein, 2001). The DTC sorts, values and sells approximately 40% of the world's rough diamonds by value. Currently the DTC has a combination of wholly owned and joint venture operations in South Africa (DTCSA), Botswana (DTCB), Namibia (NDTC) and the United Kingdom (DTC). Diamonds sold by the DTC are sourced primarily from De Beers' own mining operations in South Africa and Canada, and through its joint venture partnerships with the governments of Botswana, and Namibia (Stein, 2001).

popularity of inexpensive jewelry. So Argyle's decision to market its own diamonds - to De Beers' sight-holders and others - hurt the company at the low end of its market (Stein, 2001).

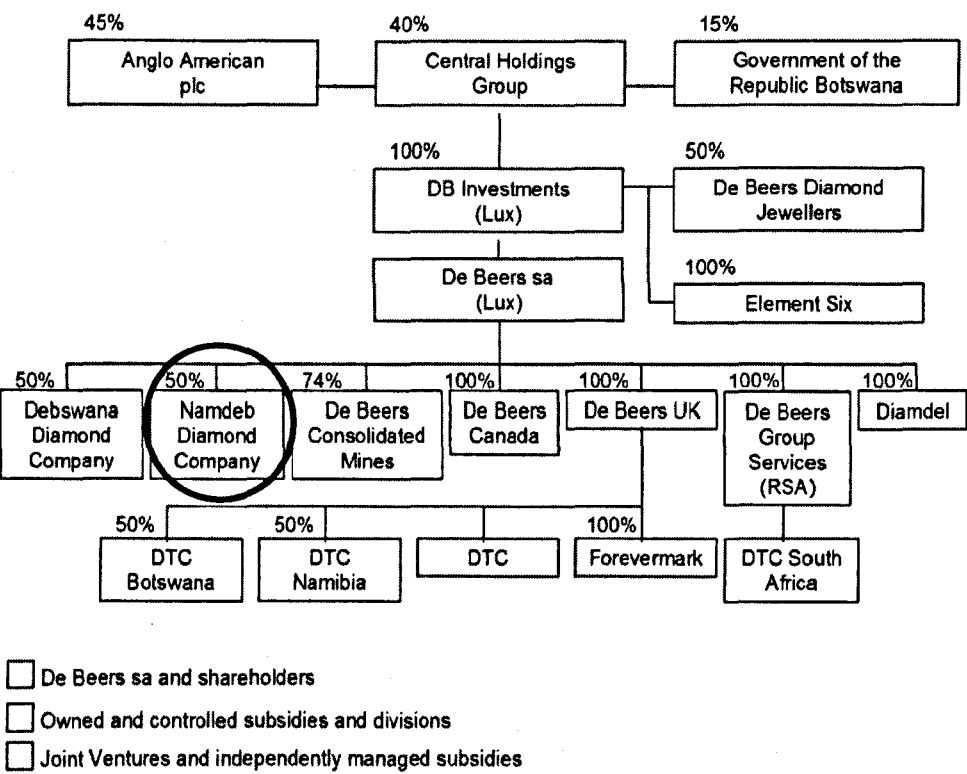
Stein (2001) states that a third change came about with the emergence of a new diamond superpower - Canada. The discovery in the 1990s of several rich diamond deposits in the Northwest Territories - Ekati, Diavik, and Winspear - was the third milestone to erode De Beers' monopoly. Though the company was able to secure 35 % of the production of Ekati, and launched a successful takeover of Winspear, De Beers stated that it does not hold the overwhelming position in Canada that it would have insisted on in the past (Stein, 2001).

The sudden emergence of all these producers meant that De Beers, in an effort to keep prices high, was forced both to hold back a large portion of its diamonds and to purchase much of the excess supply of its new competitors - often at inflated prices (Stein, 2001; Misser, 1995). The company's market share fell from 85 % to 65 % and its stockpile soared from \$2.5 billion to \$5 billion - tying up cash reserves and antagonising investors (Stein, 2001).

However, De Beers soon thought of other ways to improve its financial situation by implementing both structural and strategic changes. For example, in 2001, De Beers was delisted of the Johannesburg Stock Exchange and put in the hands of three shareholders: Anglo-American (founded in 1917 by Ernest Oppenheimer, today listed at the London Stock Exchange) held 45 %, Central Holdings Limited (controlled by the family

Oppenheimer) kept 45 % and the government of the diamond rich Botswana received 10 % (Spar, 2006). Botswana’s share was enlarged in 2005 to 15 %, reducing the share of the Central Holding to 40 %. Figure 3.4. below illustrates De Beers’ current shareholding<sup>11</sup>.

**Figure 3.4. De Beer’s Shareholding**



Source: Adapted from De Beers (2010)

Moreover, De Beers managed to engage in two important PPJVs with African governments - Namibia (Namdeb) which is considered to produce some of the best quality diamonds in the world (The Secretariat of the African, Caribbean and Pacific Group of States, 2011; Roberts, 1996) and Botswana (Debswana) which produces the greatest number of diamonds in the world (Roberts, 1996). De Beers is also still overwhelmingly present in South Africa as it cooperates with a conglomerate of small local shareholders to

<sup>11</sup> However, the ownership structure will change once again as in November 2011 the global mining giant Anglo-American announced that it would acquire the 40% of De Beers which mines two-fifths of the world’s diamonds, from the Oppenheimer family for \$5.1 billion. This takes Anglo-American’s stake in De Beers to 85%; the rest is owned by the Government of Botswana, where the company mines a great number of its gems (Bawden, 2011).

facilitate the empowerment of black entrepreneurs (The De Beers Group, 2008). The combined impact of these arrangements allowed De Beers to continue dominating the world gem diamond supplies and assured the company's continuing strength and growth (Roberts, 1996). For example, in 2002, these southern-African mines allowed De Beers to control 65 % of the world's rough diamonds by values set by De Beers itself, effectively permitting the company to remain "the heart of the world's rough diamond industry" (Roberts, 1996, pg. 285).

However, despite its economic progress, or perhaps more as a consequence of this astronomical financial success, De Beers has been criticised for a great number of issues as can be seen in current literature on the diamond sector and on specifically De Beers. For example, the company is criticised for its secrecy as well as for the exploitation of workers and the natural environment under the South African Apartheid regime (Bergensstock, Deily & Taylor, 2006; Even-Zohar, 2002; Kanfer, 1995; Kempton & Du Preez, 1997; Roberts, 1996; Zoelner, 2007; Epstein, 1985; Flynn, 1992). Indeed, De Beers is said to have built the greatest part of its economic fortune on the exploitation of Namibian diamonds under the Apartheid regime despite warnings and prohibition from the UN (Roberts, 1996; Kempton & Du Preez, 1997; Lanning & Mueller, 1979). In addition, specific studies on De Beers' conduct in South Africa and Namibia investigate the problematic social situation in mining towns (Carstens, 2001), the company's way of addressing HIV/AIDS (Peterson & Shaw, 2006), its disclosure of mining accidents (Coetzee & van Staden, 2011) and the question of whether De Beers uses corporate social responsibility (CSR) for greenwashing its reputation (Hamann & Kapelus, 2004).

As the study progresses, some of these issues mentioned above will be further elaborated upon in accordance with the findings of the research. For now, following is a description of De Beers' diamond mining partner in Namibia, the Government of Namibia.

### **3.6 The Government of Namibia as Equal Shareholder**

In 1993, three years after independence from South Africa, the Government of Namibia chose De Beers which has been operating in the country for decades to continue exploiting Namibia's rich diamond fields. However, the two parties came to an agreement that this time around, the exploitation of the country's diamonds would be carried out through a PPJV – De Beers and the Government would each hold 50 % of the shares. The Government opted for this strategic partnership mainly because of the leading role of De Beers on the international market and its savoir-faire in terms of extraction, value-adding and marketing skills (Kempton & Du Preez, 1997).

As discussed before, Namdeb is not only responsible for a great contribution to state coffers through the various taxes it pays as illustrated in Table 3.3 above, but also plays an important role in providing jobs in the country which has an unemployment rate of 51,2 % (Ekongo, 2010). In this situation it is obvious that the Government is thus beneficiary as both shareholder and stakeholder – as shareholder it is privy to 50 % of Namdeb's profits and as stakeholder it receives taxes, royalties and it can be argued that its social and economic responsibilities such as job-creation are lightened by the existence of Namdeb. Furthermore, normally, a PPJV ensures a just distribution of the profits, an efficient exploitation and a strong bargain position on the international market. In the view of this, theoretically it can be expected that the partly state ownership ensures strong governance in corporations that result from such partnerships. The role of the government is to represent the interest of its citizens when managing the joint venture. This implies that a

company co-owned by a state and a private corporation should ideally strive for a strong sense of responsibility and emphasize its contribution to the social welfare, its protection of the natural environment and its accountability towards the country's citizens in order to legitimize its privileged position.

In the case of Namdeb, the PPJV structure holds three further specific benefits. Firstly, market power is created through the combination of resources (Kent, 1991). For example De Beers' know-how and the gem quality diamonds provided by the Namibian Government. This is very strategic as both shareholders need each other in order to continue playing an important role in the international diamond industry and to benefit from diamonds. Secondly, risk is reduced and shared (Kent, 1991) in terms of for example, the fluctuation of international market especially in times of economic crisis as two partners can better face economic risk and may also be able to find better solutions collectively. However, in the mining industry other important risks also exist. For example, exploration risk occurs when it is highly uncertain that prospects will result in viable mines. Meanwhile costs can also be very high implicating financial risk. According to UNCTAD (1997), mining companies may also face political risk, that is, the risk of changes in government policies that may have negative effects on the economic viability of a project. In view of this, it can be argued that a PPJV would be relatively protected from such risk as the Government would carefully consider sudden changes which could detrimentally affect the company and therefore its own investment and implication.

Thirdly, information is acquired and shared (Kent, 1991; Pfeffer & Nowak, 1976). This is especially important as the diamond mining industry is generally accused of being very secretive (Boer & Sherbourne, 2004; Roberts, 1996; Epstein, 1985) and the Government is privy to more information as it is in partnership with De Beers which is considered the

custodian of the industry (Even-Zohar, 2007). De Beers also benefits from information acquired through its role of business partner of the Government.

As mentioned before, Namdeb's board of directors consists equally of Government and De Beers representatives. Government representatives are appointed by the Government and hail from the ministries such as the Ministry of Mines and Energy and the Ministry of Finance.

Following is a discussion of Namdeb's stakeholders.

### **3.7 Namdeb's Stakeholders**

For the purposes of this research and as mentioned before, nine groups of company stakeholders were identified by employing a stakeholder mapping process which includes the snow-ball method as it was found that Namdeb often talks about its 'stakeholders' but no list of these stakeholders was to be found in either official company documents such as the annual reports to stakeholders, the media or other printed sources. In view of this, it was decided to identify the company's stakeholders by going through company reports, government documentation, media articles and other national and international reports on the mining and specifically the diamond mining industry since 1990. Initial research showed that as with other organisations, Namdeb's stakeholders also logically consist of the owners, political groups, the Government, suppliers, competitors, trade unions, employees, unions, customer advocate groups, customers, activist groups and the financial community as identified by Freeman (1984). Other stakeholders identified include community residents, the media, industry related organisations and NGOs. However, since the focus of the research was to investigate the points of view on organisational legitimacy

of only external stakeholders in Namibia, stakeholders such as customers<sup>12</sup> and employees were excluded. In the case of customers, it is observed that very few buyers of diamonds exist in the Namibian context as not many can afford diamonds. Regarding employees, in this research external stakeholders are considered to play a greater and/or different role in the bestowing or revoking of legitimacy than internal stakeholders such as employees.

A 'stakeholder-map' corresponding to nine different groups (Table 3.1. below) was drawn. The table also provides a description of each stakeholder group. Stakeholders include government representatives (e.g. Deputy Minister of Finance, Permanent Secretary of Mines and Energy, Diamond Commissioner, Director of Environment and Tourism, Director of the Geological Survey), Namdeb Managing Director, De Beers Representative and Board Member, various academics, research institutions (e.g. Namibia Economic Policy Research Unit, Labour Research Institute (LARI), Institute for Public Policy Research (IPPR), Desert Research Foundation (DRFN), Southern African Institute for Environmental Assessment (SAIEA), NGOs (e.g. Namibia Mine Workers Union, Namibia Non-Governmental Forum Trust (Nangof), National Society for Human Rights) and financial, accounting and industry establishments (Bank of Namibia, Namibia Chamber of Mines, the Anti-Corruption Commission). De Beers' dual role as both stakeholder and shareholder and the influence this has on the generalisability of the findings will be further discussed in the next chapter which puts to the fore methodological issues.

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<sup>12</sup> Namdeb's customers are predominantly international - the USA represents the largest market (50%), followed by Japan (15%), Italy (5%), India (3%), China (2%), The Gulf (2%) and other countries (23%) (World Diamond Council, 2011).



**Table 3.1. Namdeb's Stakeholders**

STAKEHOLDERS & STAKEHOLDER GROUPS	DESCRIPTION
1. De Beers	De Beers is an equal shareholder in Namdeb but it can also be considered a stakeholder as it has both stakeholder stakes and shareholder stakes.
2. Government of Namibia	The Government of Namibia is both equal shareholder and stakeholder of Namdeb.
3. Oranjemund Community	This stakeholder group is separate from the Karas community even though it falls under the Karas Community which is the regional community. The reason for the distinction is that members of the Oranjemund community are accorded more rights and opportunities such as the building of schools and hospitals by Namdeb in the town of Oranjemund.
4. Karas Community	The Karas Community comprises the region where Namdeb's main mining operations take place.
5. Industry & Business Related Organs	This group includes institutions directly related to the mining industry and to business in Namibia. Examples: Namibia Chamber of Mines; Namibia Chamber of Commerce and Industry; Labour Research Institute and the Bank of Namibia.
6. Civil Society & Rights Organizations	The civil society group ensures representation of those interests groups which cannot represent themselves by using economic and political means of influence. This group includes, for example trade unions, community-based organisations, civic movements or advocacy groups. Examples: Namibia Non-Governmental Forum Trust, National Society for Human Rights and Namibia Mineworkers Union.
7. Environmental Organizations	The Environmental group consists of organisations specifically defending the natural environment. These organisations also engage in different research projects including the effects of industry on the environment. Examples: Southern African Institute for Environmental Assessment and Namibia Desert Research Foundation.
8. Academics & Research Institutions	This group includes individual academics who specialize in research in either the public/and or private sectors. The stakeholder group also includes research organizations with specific research agendas which cover economic, social and economic public policy issues. Examples: Institute for Public Policy Research and Namibia Economic Policy Research Unit.
9. The Media	The media is a very important stakeholder group to Namdeb. As the media is free and constraint in their critique, both positive and negative, they have a major influence on the company. Example: Local newspapers such as The Namibian, The Economist and Die Republikein.

### 3.8 Summary

This chapter provided the background information on Namdeb, the case study under investigation by looking at its history, its economic contribution and its shareholders and stakeholders. Following is the methodology chapter which shows step-by step which methods were used to probe Namdeb's legitimacy.

## **4 METHODOLOGY**

### **4.1 Introduction**

The methodology employed in this study is discussed in two main parts. In a first instance, and as introduction, an overview of the general research paradigms is given. Secondly, and most importantly, issues specifically related to this research project are elaborated upon.

### **4.2 Research Paradigms**

This research is explorative and therefore qualitative. This choice was made because detailed input was needed directly from Namdeb's external stakeholders to thoroughly investigate everyday occurring issues influencing organisational legitimacy to be able to better understand their influence and possible interdependencies. Additionally, autobiographical storytelling, a form of autoethnography which is described as a methodological trend in which participatory research and experimental writing feature strongly (Duncan, 2004), was also employed. In this case this method assists with bringing to life the case-study approach and serves to explicate a specific dimension of personal experience, in relation to the author's membership of a specific group (e.g., demographic, cultural, professional), state-of-being (e.g., feeling ill or ecstatic), or event (e.g., career transition) (McIlveen, 2008).

Furthermore, the philosophical assumptions of qualitative research stem from the interpretive tradition which implies a subjective epistemology and the ontological belief that reality is socially constructed. To set the stage, the observation is made that in everyday life, different people hold diverse beliefs and values. In research, these beliefs and values are called paradigms. Kuhn (1996) who introduced the 'paradigm' concept suggested that there can be more than one set of basic beliefs, or 'paradigms' about what constitutes reality and counts as knowledge (Koschmann, 1996). Paradigms therefore

provide philosophical, theoretical, instrumental, and methodological foundations for engaging in research, and additionally provide researchers with a platform from which to interpret the world (Morgan, 1983).

The general view is that a paradigm encompasses three elements: ontology, epistemology and methodology (Lincoln & Guba, 2000; Denzin & Lincoln, 2000). Ontology answers the question, “What is the nature of reality?” It is up to the researcher to decide whether they see the world as objective, measurable and external to the researcher, or socially constructed (Collis & Hussey, 2003). Qualitative research falls into the latter category which holds that reality is subjective and multiple as seen by the people being researched (Silverman, 2006; Collis & Hussey, 2003).

Epistemology answers the question, “What is the relationship of the researcher to the researched?” In quantitative research the researcher is expected to distance him or herself from the research and researched, remaining as objective as possible, whereas in qualitative research, the researcher interacts, often directly, with those being researched (Collis & Hussey, 2003). However, this may create biases. These are further discussed in the context of this research in a later section.

Methodology answers the questions “What is the process of research” and, “How do we gain knowledge?” For example, in qualitative research this generally involves small samples and may include, for example, interviewing (Silverman, 2006; Denzin & Lincoln, 2000). It seeks to understand what is happening in a situation and looks for patterns or themes which may be repeated in other similar situations (Denzin & Lincoln, 2000; Collis & Hussey, 2003).

Another important aspect of research is that there are also different paradigms of inquiry, broadly categorised into two principle paradigms of inquiry: positivist (and post positivist) and constructivism/interpretive (CI) social science. These are elaborated upon in the next section.

#### **4.2.1. The Positivist Paradigm**

Positivism refers to a set of epistemological perspectives and philosophies of science which hold that the scientific method is the best approach to uncovering the processes by which both physical and human events occur (Orlikowski & Baroudi, 1991). It is typically associated with quantitative research. In fact, a research project can be considered positivist if there is evidence of formal propositions, quantifiable measures of variables, hypothesis testing, deducing the inferences concerning the phenomena from the representative sample to a stated population (Orlikowski & Baroudi, 1991). The positivist methodology requires the researcher to state hypotheses or propositions and then test to see if they are false (Yin, 2009; Silverman, 2006). The ontology of this type of paradigm suggests that the purpose of the research is to discover the true meaning of reality, with the aim to predict and control (Orlikowski & Baroudi, 1991; Silverman, 2006). In a nutshell, positivism stresses that the only authentic knowledge is that which is based on sense, experience and positive verification (Silverman, 2006).

Following is a description of the second type of tradition, the Constructivist/Interpretive (CI) Paradigm which is also used in this study.

#### 4.2.2. The Constructivist/Interpretive Paradigm

The CI paradigm has its roots in Germany and can be traced to the sociologist Max Weber (1864-1920) and philosopher Wilhelm Dilthey (1833-1911) (Neuman, 2000). It holds the idea that knowledge of reality is only obtained through social constructions such as language, shared meanings, tools, documents (Walsham, 1993), conversations or pictures (Silverman, 2006). Here, the ontology suggests that reality is socially constructed and involves a number of realities (Berger & Luckmann, 1966). Essentially it seeks an understanding of the 'actors' inner state' and a compassionate understanding or *Verstehen* of the everyday lived experience of the person(s) being researched in their natural setting (Neuman, 2000). For example, the natural setting of companies is likely to be an office or a boardroom. Therefore, those who adopt the interpretive approach are of the opinion that social phenomena must be understood in the social contexts in which they are constructed and reproduced through their activities (Burrell & Morgan, 1979). Furthermore, the epistemology focuses on the researcher and the researched within the inquiry. It necessitates a process of interaction between the two, so that the findings are created as the research proceeds (Denzin & Lincoln, 2000).

As was mentioned previously, interpretation in this research is complimented by autobiographical storying, a type of auto-ethnography which helps to communicate context and meaning. Indeed the auto-ethnographic method is part of qualitative research and developed in the aftermath of the post-modern research movement in the 1980s which raised doubts about the privilege of any one method for obtaining authoritative knowledge about the social world which was preached for decades (Agger, 1990). According to Ellis, Adams & Bochner (2011), this confidence crisis inspired by postmodernism introduced new and abundant opportunities to reform social science and re-conceive the objectives and forms of social enquiry. Social science scholars became increasingly troubled by

ontological, epistemological, and axiological limitations (Ellis & Bochner, 2000). Ellis, Adams & Bochner (2011), further explains how above all, scholars began illustrating how the "facts" and "truths" scientists "found" were inextricably linked to the vocabularies and paradigms the scientists used to represent them (Kuhn, 1996; Rorty, 1982). Indeed they recognized the impossibility of, and lack of desire for master, universal narratives (De Certeau, 1984; Lyotard, 1984). They understood new relationships between authors, audiences, and texts (Barthes, 1977; Derrida, 1978; Radway, 1984) and they realised that stories were complex, constitutive, meaningful phenomena that taught morals and ethics, introduced unique ways of thinking and feeling, and helped people make sense of themselves and others (Adams, 2008; Fisher, 1984). In view of this, the ethnographic type of writing which involves highly personalised accounts in which authors draw on their own experiences to extend understanding of a particular discipline or culture, came about (Reed-Danahay, 1997).

Therefore, without a doubt this method is in opposition to the view held by some researchers that research can be done only from a neutral, impersonal, and objective stance (Atkinson, 1997; Buzard, 2003; Delamont, 2009) as auto-ethnographic researchers uphold and promote the idea that auto-ethnography expands and opens up a wider lens on the world (Ellis & Bochner, 2000; Weir & Clarke, 2011). Indeed they shun rigid definitions of what constitutes meaningful and useful research (Ellis, Adams & Bochner, 2011). In sum, auto-ethnography is proclaimed to help understand people, how they are perceived, to be influencing interpretations of what is studied, how it is studied, and what is said about the topic (Adams, 2005; Wood, 2009).

Yet, in view of these obvious attributes, auto-ethnography as scientific method is dismissed as it is said to be insufficiently rigorous, theoretical, and analytical, and too aesthetic,

emotional, and therapeutic (Ellis, 2009; Hooks, 1994; Keller, 1995). Auto-ethnographers are criticised for not engaging in enough fieldwork, for taking too few cultural members into consideration and for not spending sufficient time with (different) others (Fine, 2003; Delamont, 2009). Moreover, in using personal experience, auto-ethnographers are thought to not only use supposedly biased data (Anderson, 2006; Atkinson, 1997), but are also considered self-absorbed individuals who love themselves too much and who do not fulfill scholarly obligations of hypothesising, analysing, and theorising (Ellis, Adams & Bochner, 2011). Autobiographical storytelling, the type of autoethnography used in this research will be further discussed later in this chapter.

Before continuing with the specifics of the methodologies used in this research project, an overview of the importance of the case-study as research method is given below.

#### **4.3 The Case-Study as Research Method**

The case study method is especially helpful in the context of this research as the contextual situation, the operational environment of Namdeb being studied is critical and the researcher has no control over the results as they unfold. It is therefore asserted that the aim of uncovering issues affecting organisational legitimacy is best addressed by studying a case-study as generally this type of research focuses is on empirical inquiry that investigates a contemporary phenomenon within its real life context, especially when boundaries between phenomenon and context are not clearly defined (Yin 1994, 2009). According to Yin (1994), “the case study allows an investigation to retain the holistic and meaningful characteristics of real-life events such as individual cycles, organisational and managerial processes, neighbourhood change, international relations and the maturation of industries” (pg. 13).

Most of the case-studies relevant to organisational legitimacy have already been mentioned in the literature review section but in the general field of business ethics, a common example of case-study research is Jackall's (1988) 'Moral Mazes' (Brand, 2009). According to Brand (2009) it is surprising that the majority of empirical work does not take the methods of two moral development researchers, Kohlberg (1981, 1984) and Gilligan (1982), who have been instrumental in developing business ethics research into deliberation. Both of these authors used in-depth interviews with a small number of individual research subjects when formulating their highly influential theories (Brand, 2009). In view of this, Crane (1999), Robertson (1993), Randall and Gibson (1990) and Brand (2009) call for increased efforts to take this fact into consideration as not enough attention has been given to business ethics methodological issues despite influential articles.

Indeed it makes sense that 'cases' are studied in business ethics because of the often sensitive nature of the field. For example, Brigley (1995) argues that the case study approach to business ethics research is more appropriate for the complex, diverse contents and contexts of business ethics. He argues that an investigatory case study, in particular, can do much to rectify the inadequacies of the prevailing positivist paradigm by evolving grounded theoretical questions for further research (Brigley, 1995). The case study offers an alternative for the measurement of ethical behaviour, meaning the naturalistic generalisation which is entrenched in the context of organisational cultures and economic systems (Brigley, 1995). The method results in enhanced conceptual understanding of the interaction between ethical beliefs of individuals and corporate and market pressures on business decision-making (Brigley, 1995).



Furthermore, the case-study method has been an important type of research in both the social sciences and management studies. It has been used in academic research involving business and organisational issues (Hudson and Roloff, 2011; Palazzo & Richter, 2005; Claasen & Roloff, 2012; Mintzberg & Waters, 1982), education (Gulsecen & Kubat, 2006), research on sociology-based problems (Grassel & Schirmer, 2006), community-based problems (Johnson, 2006), law (Lovell, 2006), medicine (Taylor & Berridge, 2006), technological matters (Geel, 2001) and politics (Acemoglu, Johnson and Robinson, 2003). Older important examples of case study research comprise of Selznick's (1949) description of the Tennessee Valley Authority (TVA) and its interactions, Allison's (1971) study of the Cuban missile crisis, and Pettigrew's (1973) research on decision making at a British retailer.

Case studies can also involve either single or multiple cases, and numerous levels of analysis (Yin, 1984). For example, Harris and Sutton (1986) studied eight dying organisations, Bettenhausen and Murnighan (1986) focused on the emergence of norms in 19 laboratory groups, and Leonard-Barton (1988) tracked the progress of ten innovation projects. Furthermore, case studies can make use of an embedded design, that is, multiple levels of analysis within a single study (Yin, 1984). For example, the Warwick study of competitiveness and strategic change within major British corporations is conducted at two levels of analysis: industry and firm (Pettigrew, 1988), and the Mintzberg and Waters (1982) study of Steinberg's grocery empire examines multiple strategic changes within a single firm.

These observations and viewpoints regarding the value of the case study as research method, emphasise the validity of the procedure. The specifics of the case investigated in this research are elaborated upon in the next section. However, before continuing it is important to highlight that indeed all the general explanations above laid the foundation for

the particulars and methodological characteristics of this study specifically. These are described in the following sections.

#### **4.4 Research Design**

The section is divided into five main parts. Firstly, and as introduction to the choices made, the choice of the CI paradigm and consequent epistemological issues with regards to potential researcher bias are put to the fore. Secondly, the data sources and data collection methods are discussed while, in a third instance, an in-depth overview of the analytical tools and methods employed is presented. Fourthly, a summary of the reliability issues related to this research is discussed. Finally, a summary of the chapter is provided.

##### **4.4.1. The Constructivist/Interpretive Paradigm Choice & Related Epistemological Issues**

As this research is exploratory and interpretive in nature, it was decided to stay within the CI paradigm as it is the best way to approach the research question ***'To what extent can external stakeholder issues affecting Namdeb's legitimacy be identified, classified, influenced and managed?'*** By doing this, an in-depth understanding of the issues and underlying themes affecting organisational legitimacy, including, for example potential political, social and other external issues were unearthed and highlighted. The objective of the research was to find out what these issues and underlying themes were, how these are related and what it all means according to the different stakeholders interviewed with regards to the company's organisational legitimacy. As mentioned before, the ontology of the CI paradigm suggests that reality is socially constructed and involves a number of realities.

In view of the above, it is important to clarify the position taken regarding the social construct of Namibian society which is generally the object of this study as it is also obviously affected by the construction of reality by the members of society, thus by the reproduction of social phenomena. However, the entire Namibian population consists of only approximately two million individuals which are further divided into about 10 ethnic tribes/groups<sup>13</sup> (Daniels, 2003). People classified as white are further categorised into mainly German, Afrikaner and Portuguese. While there are many positive associations related to this diversity, there are mostly negative political and social differences and perceptions in society. This is of course also a direct consequence of the apartheid system under which ethnic Namibians suffered for decades. Since Namibia has only been liberated from this discriminatory regime since 1990, friction between white and black and most of the different tribes are prevalent. This is a consequence of the 'divide and rule' strategy put in place by the former apartheid regime as people still tend to classify themselves and each other according to these racial and tribal divides. Consequently, many different and complicated Namibian realities exist as not only tribal and racial affiliation but also political loyalty play a role in the production of social phenomena and thus reality. It is thus in a fragmented, diverse and dynamic society in which data was gathered and conclusions were drawn. Attention was paid to this and is discussed in the 'Personal Biases' section.

Undeniably social constructivism is a sociological theory of knowledge that takes into consideration how social phenomena or objects of consciousness develop in social contexts (Burr, 1995; Hacking, 2000). A social construction is a concept or practice that is the construct (or artifact) of a particular group (Burr, 1995). When something is socially

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<sup>13</sup> 50% of the population belong to the Ovambo tribe and 9% to the Kavangos tribe; other ethnic groups include Herero 7%, Damara 7%, Nama 5%, Caprivian 4%, Bushmen 3%, Baster 2%, Tswana 0.5%. The rest belongs to the white (6%) and mixed (6.5%) groups.

constructed, it is dependent on conditional variables of our social selves rather than any inherent quality that it possesses in itself. The primary assumptions on which social constructivism is typically seen to be based are reality, knowledge, and learning (Burr, 1995). Furthermore, a major focus of social constructionism is to uncover the ways in which individuals and groups participate in the construction of their perceived social reality. It involves looking at the ways social phenomena are created, institutionalised, known, and made into tradition by humans. The social construction of reality is an on-going, dynamic process that is (and must be) reproduced by people acting on their interpretations and their knowledge of it (Burr, 1995; Hacking, 2000). Because social constructs as facets of reality and objects of knowledge are not "given" by nature, they must be constantly maintained and re-affirmed in order to persist. This point will be further discussed in the next section, especially by taking into consideration autobiographical storying which was employed by linking it to the interpretive method predominantly used in this research.

Indeed, as with all research, numerous epistemological concerns were encountered. Firstly, a look is taken at potential personal biases encountered. Secondly, the epistemological issues which came about as a result of the choice of the company, Namdeb, are discussed.

#### **4.3.1.1. Personal Biases**

The traditional belief held about the CI paradigm is that it is riddled with potential bias issues. In view of this, in this section I am not trying to excuse the fact that I believe that my personal experience and viewpoints did not influence my overall interpretation of the data and the conclusions I made. Instead, I show that by combining these personal experiences and beliefs, with the results of the primary data obtained, a better understanding richer in meaning and reality is formed. However, I am not entirely dismissing concerns regarding

bias issues either - in order to present a balanced thesis, I took into consideration the different critiques generally leveled against the CI tradition and auto-ethnography and more specifically autobiographical storytelling even though it was only used to help with describing the contextual background. However, before looking at these concerns, a more in-depth explanation of social constructivism generally and more precisely within the context of autobiographical storytelling is given.

I acknowledge that I strongly believe that reality is socially constructed and that I learned more about the research topic through interacting with the interviewees and the object of this study. It is also acknowledged that the autobiographical stories told are a direct result of interpretation and analysis of reality as observed by myself. In view of this, I admit that my political views, my moral beliefs, previous professional experience as political analyst<sup>14</sup>, prior assumptions and social background have influenced data collection, analysis and consequent conclusions drawn. In other words, I used my personal experience and beliefs quite overtly as I judge that my 'story' is intrinsically linked to the study. This means that I chose not to distance myself from the research as I believe that the type of auto-ethnographic method allowed me to delve deeply into primary data and consequently allowed me to better interpret and understand secondary data. I did, however, pay attention to present a balanced account and to not over-rely on my personal 'story'.

To be sure, in order to avoid unnecessary partiality, I have tried to avoid excessive focus on myself by not only taking into consideration my relationship with others in the social and cultural context, but to be also aware of how others would interpret the same situation. This is in line with the theory of social constructivism which highlights the importance and

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<sup>14</sup> The researcher held the position of political specialist and analyst of Namibian and regional issues at the American Embassy to Namibia for a period of three years. During this time many professional contacts were made and political, social and economic opinions formed and influenced.

necessity of taking into consideration how social phenomena or objects of consciousness develop in social contexts. I was therefore careful not to over-emphasise my own story in light of analysis and interpretation of the data collected. In other words, I did not only rely on my personal memory and recalling as exclusive data source but tried to give a balanced view by taking into consideration context and environment. Effort was also made to let the data speak for it-self by incorporating cross-checking measures such as journal reflections, triangulation, respondent validation and code-checking. The specific employment of these measures is further discussed in later sections treating data collection and data analysis.

Another related point is that throughout the study, especially at the data gathering and data analysis stages, the issue of criticality was considered. This point is best illustrated by looking, for example, at how my initial assumptions changed as the research developed. Below is an abstract of my notes which were continuously updated as research progressed:

*In the beginning of the research, I thought that corporate social responsibility was a major factor influencing the organisational legitimacy of Namdeb. My assumptions were based on the local media's attention on the company's CSR projects, no matter how small and insignificant they were. I finally realised that my assumptions about Namdeb were also based on the scarcity of reporting on more serious issues, such as board issues and government presentation. Not only was reporting in the local media scarce, but the government also did not seem to be divulging much information about Namdeb, and yet it is the most important company in Namibia providing over 2000 jobs and contributing much to the GDP of the country. I started to seriously question my assumptions and took notice of other important issues influencing the organisational legitimacy of Namdeb. Many of the predictions I made in the beginning of the study about the outcomes of research were discarded and a true critique of the data was entered into (notes by researcher, October, 2010).*

The above is an example of my efforts to be critical throughout the research. Finally, the findings were also new and sometimes surprising to me. Good qualitative research engages researchers to think deeply, consider unique impressions and examine critically their own assumptions (Brower, Abolafia and Carr, 2000). Whittemore, Chase and Mandle (2001) make suggestions about how the researcher needs to be critical by searching for alternative hypotheses and examine his or her own biases. I have followed this advice but was also sure that

my own personal experience was not apart from the study I was conducting and that the CI and autobiographical storytelling approaches collectively assisted with the unearthing of the consequent findings.

This discussion on epistemological concerns is continued in the next section by taking a closer look at the case-study Namdeb.

#### **4.3.1.2. The Choice of the Case-Study Namdeb & Related Biases**

In the case of the CI paradigm prevalent in this study, case studies normally provide the main vehicle for research (Walsham, 1993). The choice of specifically studying the PPJV Namdeb is based both on personal interest and practical issues. In a first instance, with regards to personal interests, I was interested to find out what the perceptions of the company's external stakeholders were with regards to its organisational legitimacy which seemed to be viewed very differently by diverse members of society as was observed in, for example, the local media. I considered this choice carefully as I have had previous contact with some of the employees in a professional capacity. Even though this was not on a regular basis, my perception of Namdeb was obviously influenced by these encounters as is proven by the biographical storytelling used in the discussion chapter. I was always interested in Namdeb and found the company fascinating and unique in the sense that it raised, for me, a multitude of political, economic and social questions. I used this personal interest, in combination with my perception of the social, political and cultural world around me to better understand the company in order to further enhance the analysis of both the primary and secondary data. However, as mentioned previously, I always tried to balance my views especially with regards to the multiple truths in society as pointed out by social constructivist thought.

Secondly, De Beers, equal shareholder of Namdeb, is astronomically rich and powerful and profited unfairly under the Apartheid regime by exploiting South Africans, Namibians and the environment. This fact always intrigued me and the knowledge of this fact might definitely have affected my objectivity<sup>15</sup>. However, I was aware of this and paid attention not to let my personal points of view influence analysis overbearingly and in an imbalanced way.

Regarding practical issues, I could obtain relatively easy access to this company by making use of previous professional contacts and networks in Namibia. This was a great advantage as in some research projects difficulties in obtaining access to private companies, particularly banks, are experienced as this could undermine “the interests of the powerful” (Lee 1993, pg.129). Namdeb also falls under this category because many of the issues under discussion were considered ‘sensitive’, especially by De Beers’ representatives and some high placed government officials. However, this was to be expected considering the high stakes involved and important political and economic position of the company in Namibian society.

A final obvious reason for the choice of the case study, Namdeb, is directly related to the research topic which is an investigation or exploration into external issues which affect the organisational legitimacy of companies and how these are connected. As stated before, the most important Namibian company is in fact Namdeb which contributes largely to Namibia’s GDP, employs the most individuals in the private sector, and so forth. Hence, in the case of this research there was indeed no other ‘sample’ to consider seriously as

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<sup>15</sup> I grew up during the Apartheid era in both Namibia and South Africa and the general topics of the day were issues such as economic and social exploitation, basic human rights issues and general political concerns. De Beers, then known as CDM, operated in both Namibia and South Africa at the time.



Namdeb is indeed a very interesting company which plays, above all, a major economic and political role.

This research based on Namdeb purposes to illuminate some of the specific legitimacy and related ethical issues PPJVs face as not much literature has been identified on the topic. It is an important observation as PPJVs not only deserve greater attention for their importance within the overall role of the government in the economy, but also for the special challenges they pose in terms of corporate governance and consequent legitimacy issues. For example, an interesting study conducted by Bremer (2012) on the transparency of Egyptian PPJVs reveal that accountability and transparency are serious challenges to legitimacy in this type of corporate relationship. The final suggestion is that the information gap for which predominantly the shareholders involved are responsible, should be addressed by public participation and establishing transparency and disclosure practices. However, this is only one of the many legitimacy related issues and this study aims to uncover more on the underlying legitimacy concerns of PPJVs.

Another point to elaborate upon is to highlight that even if the PPJV Namdeb is considered the 'only' available sensible sample as was explained above, the implications of its PPJV structure and the impact on the results of the research was taken into consideration, especially in view of De Beers' "double" position of shareholder and stakeholder. According to traditional theoretical models, even though both the shareholder and stakeholder models both are advocates of ensuring the long term health of the company, there is also rivalry between the two models. On the one hand, the shareholder model proposes that the purpose of the corporation is to promote shareholder value meaning profits (Atkinson et al., 1997; Barney, 1991; Post et al., 2002). On the other hand, the stakeholder model promotes the idea that the corporation is to serve a wider range of

interests which include taking into consideration the social and economic concerns of the stakeholders (Freeman, 1984; Boutilier, 2009).

In consistency with the above, it is fair to say that De Beers as a shareholder predominantly endorses profit while as a stakeholder of the PPJV Namdeb, its stakes and interests may vary from the general success of the business to more specific stakes such as good public image and reputation. However, generally the PPJV structure raises a multitude of questions and issues which would not have necessarily been brought up if De Beers were judged as an individual and independent company in the Namibian context. It is therefore a fact that Namdeb is strongly influenced by political factors because the role of its partner, the Government of Namibia and the economic importance of the company in the country. Consequently these political factors also have a great impact on De Beers. In addition, the company's complicated political and economic history also play a great role in how it is perceived by Namibians including the research respondents. To the Namibian government especially, Namdeb is a pure Namibian product but to the layman on the street, Namdeb is in fact just De Beers in disguise. As De Beers is judged rather harshly by society, Namdeb is tainted by the same distrust and harsh judgment.

Upon closer examination, it is observed that De Beers' interests as shareholder and stakeholder also overlap significantly. For example, it can be argued that De Beers' primary shareholder roles of mainly investing and encouraging profits, is the same as its stakeholder roles because the company is investing in Namibia mainly to make profits and to ensure its long-term survival. In addition, the fact that De Beers is now a shareholder in a PPJV with the Government of Namibia, and therefore its partner, legitimises it to a certain extent in independent Namibia after Apartheid during which the company benefited economically. It can be argued that this legitimacy which De Beers garners as shareholder,

also benefits it as stakeholder as its other business operations and partnerships in developing countries such as Angola, Zambia and Botswana gain credibility in the eyes of potential business partners and other concerned parties. It could be argued that its reputation as a good business partner is therefore reinforced and other potential business partners are more inclined to accept collaboration as Namdeb is considered a success story by many especially in view of its significant contribution to the national GDP and employment. It is clear that in this case respondents could bring up both positive and negative issues – positive (e.g. good reputation and efficiency) and negative (e.g. using the government to reach its goals, legitimise its actions and improve its bad reputation based on past exploitation of the people and the environment under Apartheid).

Another way to understand the implications of De Beers as shareholder/stakeholder of Namdeb though, is to examine the advantages it would not have had as an independent mining company in Namibia. For example, it is important to take into consideration that other mining companies in Namibia are in direct competition with each other while De Beers as partner of the Government of Namibia is shielded from this competition and in some cases legal obligations. Some concerned parties see this as unfair competition which may lead to corruption and other kinds of dubious dealings such as the unfair allocation of mining licenses to De Beers by the Government.

The above examples illustrate that results of the research are evidently strongly influenced by a combination of specific issues related to De Beers' role of shareholder as well as stakeholder in the PPJV Namdeb. However, regardless of these issues raised and in conclusion, it is observed that rather than to look at the PPJV Namdeb as a limited case for research in terms of generalisability, it should in fact be seen as a source of rich and multilayered information which adds to rather than subtract value from the study. As was

shown and stressed before, both Namdeb and De Beers are businesses with the objectives of making money and which state that they are responsible and practice good corporate governance. In the case of Namdeb specifically, it is therefore argued that a PPJV is a business like any other in terms of having to balance expenses, income and profits and having to pay attention to shareholders as well as stakeholders and issues raised. Indeed most of the issues identified, including political issues, are generalisable as these include governance issues such as accountability and transparency issues and the inclusion/exclusion of stakeholders and so forth. However, as explained before, each specific case study cannot explain all issues within a certain field of study and are good for highlighting new questions and issues. This generalisability of the results is also echoed in the research methods employed in this research which will be discussed in the next section.

As was discussed above, the qualitative method and specifically autobiographical storytelling and interpretation were found to be the best way to approach this research, regardless of potential biases which exist. Indeed, these methods were found to enrich the study, further validate the study and to allow the researcher to connect with the readers of the study.

Following is an in-depth discussion of the data sources and the collection thereof.

#### **4.4.2. Data Sources & Data Collection**

In this study both primary and secondary data were used. Primary data was mainly obtained from 42 respondents through face-to-face interviews (34), telephonic interviews (4) and questionnaires sent via email (4). See Table 4.1 below. The data collection took place over three periods: May - July 2008; May - August 2009 and March - April 2011. The total interview time added up to approximately 33 hours and was supported by note-

taking, audio-recording and consequent transcription of interviews which added up to approximately 600 pages.

Following is firstly a discussion of the in-depth interview and the questionnaire as data collection methods. Secondly a description of the interview sample, and finally a discussion on the reliability issues which result from the interviewing process.

#### **4.3.2.1. The Interview & the Questionnaire as Data Collection Method**

In this section four factors are discussed. In a first instance, the data sample is elaborated upon. This is followed, in a second instance, by a discussion on the interview as data collection method. Thirdly, the questionnaire as data collection method is discussed. In fourth and final instance, constraints faced while collecting data and potential bias issues are discussed.

##### **4.3.2.1.1. The Constitution of the Data Sample**

Three distinct steps and factors were taken into consideration while constituting the interview sample. Firstly, the main stakeholders and stakeholder groups were identified by employing stakeholder theory. Secondly, snow-ball sampling was used to further develop the sample and thirdly size and saturation of the sample were considered.

Right from the start, while designing the study it was decided to approach the data sample from a stakeholder angle as it was indeed Namdeb's external stakeholders' points of view which were considered when the organisational legitimacy of Namdeb was investigated. In view of this, the general definition of stakeholders according to Freeman (1994) who states that stakeholders are those groups and/ or individuals who can affect or be affected by a

focal organisation was employed. These groups form because of an awareness that the focal organisation's activities are relevant to and perhaps changeable by the group (Connolly, Conlon & Deutsch, 1980). In this approach, all the stakeholders are arbitrarily defined as groups. As a result of Namdeb's political, economic and social impact and importance, its PPJV structure with the Government as equal shareholder, as well as the fact that diamonds are a natural resource which belong to all Namibians, all citizens of Namibia are potential stakeholders of the company. However, for obvious reasons of scope and sample size, all Namdeb's potential stakeholders could not be interviewed.

With this in mind, an initial stakeholder analysis was conducted reviewing Namibian and international newspapers, governmental and company reports as well as academic publications. In the end the majority of the respondents identified were experts in their respective field with specific knowledge relating to the diamond industry and many hold leadership positions in their organisations. Since some respondents asked for confidentiality all data are presented in an anonymous form. A total of 19 potential interviewees were identified during this first step and included the Chief Executive Officer (CEO) of Namdeb, the De Beers representative to Namibia, government officials, especially those who deal directly with Namdeb and other evident stakeholders such as the media which is very outspoken and free in Namibia as well as other civil society members.

In a second instance, the snowball sampling method was employed to further assist with the constitution of the data sample. This method was particularly useful in giving me easier access to respondents normally inaccessible or difficult to contact. This is in accordance with Berg (2007) who states that snowball sampling is particularly useful in accessing reluctant populations. A further 21 interviewees were secured in two distinct consecutive actions. Firstly, the original 19 identified stakeholders identified by the researcher

proposed another 15 respondents who in turn proposed another eight participants representing the Oranjemund and the Karas Communities. In the snowball method, one begins by identifying someone who meets the criteria (the 19 respondents identified according to stakeholder theory as described above) for inclusion in the study at hand. These individuals were then asked to recommend others who they may know who also meet the criteria and who have knowledge about the topic under discussion (Berg, 2007). In the end interesting and helpful interviews were obtained with high-placed people in the business community, the mining industry and the government such as the deputy Minister of Finance, the Permanent Secretary of the Ministry of Mines and Energy, the Diamond Commissioner of Namibia, the general manager of the Chamber of Mines of Namibia and the CEO of the Namibia Chamber of Commerce and Industry. See Table 4.1. below for a summary of all the research respondents.

The third matter which was taken into consideration was the size (42 respondents) and the saturation of the interview sample (around the 27<sup>th</sup> interview). In the case of the latter, saturation, it is considered an important guiding principle in qualitative research (Mason, 2010) and is described as the point in data collection when new data no longer bring additional insights to the research questions (Mack, Woodsong, MacQueen, Guest & Namey, 2011). In the case of the former, sample size, Boyce and Neale (2006) say that the general rule is that when the same stories, themes, issues, and topics are emerging from the interviewees, then a sufficient sample size has been reached.

With regards to sample size in this research, it is important to consider, again, the fact that the interview sample was mainly obtained by making use of stakeholder analysis assisted by the snow-ball method. Consequently, the term 'stakeholder' needs further examination in this context because, as mentioned before, Namdeb's status and structure of a PPJV,

potentially makes the total Namibian population (approximately two million people) potential stakeholders of Namdeb, mainly because the Government of Namibia is a 50 % shareholder in the company. This observation is reinforced by two issues. Firstly, the shares which the Government owns in Namdeb are in fact indirectly the shares of the people of the country and the Government 'manages' these on behalf of the people. Secondly, the diamonds mined are also in fact the 'property' of the Namibian people which the Government should be exploiting for the benefit of all Namibians, from a democratic point of view. Looking at it from this angle, it is definitely impossible to interview all possible stakeholders. Instead, three types of interviewees were identified to simplify the process: firstly Namdeb as the focal case study, secondly De Beers and the Government of Namibia which are stakeholders and shareholders simultaneously, and thirdly, seven stakeholder groups representing Namdeb's 'national' stakeholders (see table 4.1. below).

'National' refers to the Namibian people in general and effectively exclude 'international' stakeholders which include suppliers and customers. This is an important distinction as Namibians themselves are generally not customers of Namdeb or De Beers as the majority of them cannot afford to buy diamonds.

Finally, as stated before, in the end the interview sample consisted of 42 interviews. However, not much guidance exists and sample size is hotly debated, and some say, little understood (Mason, 2010). A study to determine the 'ideal' sample size was conducted by Mason (2010) by looking at 560 PhD studies using qualitative methods. Results showed that the mean sample size was 31. Another viewpoint is that for all qualitative research fifteen is the smallest acceptable sample (Berteaux, 1981). However, these results suggest a pre-meditated approach that is not wholly congruent with qualitative research because final sample size depends on whether the saturation point has been reached or not.



**Table 4.1 – Research Respondents**

Respondents	DESCRIPTION	RESPONDENTS
Namdeb	Focal organisation <i>Example: Namdeb's CEO</i>	1
De Beers	Holds 50 % of shares <i>Example: De Beers Representative to Namibia</i>	1
Government of Namibia	Holds 50 % of shares <i>Examples: Ministry of Mines and Energy and Ministry of Finance.</i>	5
Karas Community	Region where Namdeb's main mining operations take place and where citizens are not directly involved with Namdeb <i>Examples: A member of the youth centre and a sales woman.</i>	3
Oranjemund Community	Community within the Karas region with direct contact to Namdeb <i>Examples: A resident who works for Namdeb and the wife of an employee</i>	5
Industry & Business Related Organisations	This group includes institutions directly related to the mining industry and to business in Namibia. <i>Examples: Namibia Chamber of Mines, Namibia Chamber of Commerce and Industry and the Bank of Namibia.</i>	5
Civil Society & Civil Rights Organisations	The civil society group ensures representation of those interests groups which cannot represent themselves by using economic and political means of influence. This group includes trade unions, community-based organisations, civic movements or advocacy groups. <i>Examples: Namibia Non-Governmental Forum Trust and the National Society for Human Rights</i>	5
Environmental Organisations	The Environmental group consists of organisations specifically defending the natural environment. These organisations also engage in research on the effects of industry on the environment. <i>Examples: Southern African Institute for Environmental Assessment and Namibia Desert Research Foundation.</i>	2
Academics & Research Institutions	This group includes individual academics and research organisations with research agendas covering economic, social and economic public policy issues. <i>Examples: Institute for Public Policy Research and Namibia Economic Policy Research Unit.</i>	10
The Media	The media is generally strong in Namibia and reports freely and critically. <i>Examples: The Namibian, Die Republikein and the Namibia Economist</i>	3

In addition, as mentioned above, saturation was reached after the 27<sup>th</sup> interview as no new issues were raised and no new stakeholder groups to approach were suggested by the respondents. However, it was decided to continue with the interviewing process as appointments were already made and not all the stakeholder groups were interviewed by this time. In the case of this study, it was already discerned during the first interviews that the same kind of answers, forming a 'pattern of themes', was present. Some of the themes identified were that people are of the opinion that De Beers need to 'pay back' Namibians for past exploitation of both the environment and people and that taxes paid to the

government are not enough in comparison to the profits made. As the research progressed, this 'pattern' was confirmed.

In the next section a closer look is taken at the interview as the principal data collection method employed in this research. This is followed by a discussion of the questionnaire as data collection method which was employed, as was explained, to a lesser degree.

#### **4.3.2.1.2. The Interview as Data Collection Method**

34 In-depth, face-to-face and four telephonic were interviews conducted. In a first instance, the in-depth interview method is described by Boyce and Neale (2006) as a qualitative research technique that involves conducting intensive individual interviews with a small number of respondents to explore their perspectives on a particular idea, program or situation. This type of data collection is especially useful when detailed information is wanted about a person's thoughts and behaviour or new issues are to be explored in depth.

With regards to issues of integrity while interviewing, three steps were taken. Firstly, I met face to face with 34 interviewees. This was done to develop a relationship of trust with interviewees, which, in the end, was hoped, would facilitate more openness from the interviewees. Secondly, I attempted to take the interviews to a deeper level of understanding and analysis by drawing on previous experience of interviewing which might not have been possible without first-hand knowledge of the research setting (Neuman, 2000). Thirdly, while I did not lead the responses of the interviews, I also did not show empathy for their frustrations or elation and asked the interviewees to elaborate further their insights and perceptions of the situations. In this way I showed affinity with their point of view which may have helped to draw out further and deeper discussion.

An extensive interview guide was employed as suggested by Flick (1998). It consisted of two main sections – one section on general questions to all interviewees and a second part specifically for Namdeb and De Beers. Each section consisted of several sub-sections. (See Attachment 1 for further detail). Initially open-ended questions were similar for each of the interviewees. The responses of the interviewees were then followed up with additional questions (Flick, 1998). These questions were loosely based on the research problem which later developed into a research question as the research progressed. Indeed, the guide helped me to use the interview time effectively by being focused while also allowing for different perspectives and themes to emerge. This process will be discussed later in more detail in the data analysis section.

Another important point to mention is that due to principally distance and access constraints, the telephonic interview and the questionnaire methods were employed instead of in-depth face-to-face interviewing for two stakeholders groups - the Oranjemund Community and the Karas Community. Regarding the distance issue, both the two stakeholder groups are situated about 500-800 kilometers from Windhoek, the capital city where I resided while collecting data making it difficult to travel there in the limited time I was in Namibia.

A supplementary issue in the case of the Oranjemund Community is that it has 'close site access' as Mann and Steward (2000) describes it. Access to the town itself and the surrounding area is restricted as per the Namibian Diamond Act 1999 and a *Restricted Area Permit* is required by anyone wishing to visit for security reasons. These permits may be obtained from Namdeb Security Department's Permits Office at Oranjemund. However, visitors may not apply for permits themselves. It is required of a resident of Oranjemund to apply for the permit on behalf of the visitor. Also, all visitors over the age of 18 are

subjected to a security clearance check. It was therefore complicated to obtain a permit in the limited time I spent in Namibia. Additionally, I do not know any residents of Oranjemund which further complicated the task. Mann and Steward (2000) suggest that in such cases, the telephonic interview is a good and probably the best way to obtain qualitative data.

The eight respondents from the Oranjemund and Karas Communities who were identified through snow-balling by the second wave of face-to-face in-depth interviews were contacted either by phone, the internet or by both, depending on the situation. Finally, four interviewees were interviewed by phone and four preferred to send their answers via email. However, it was found that for the four telephonic interviews, results were slightly less satisfactory than the in-depth face-to-face interviews. For example, while conducting the face-to-face interviews, it was observed that visual and contextual cues such as facial expressions and body language helped to understand and interpret the responses of the interviewees. It was easier to establish a rapport with the person being interviewed and it was felt that they were at ease to share their opinions and thoughts. In the case of the telephonic interview, even though the impression was that most respondents were free to share their opinions and thoughts about Namdeb and its two shareholders, the 'conversation' did not flow as naturally as in the case of the in-depth face-to-face interviews. The reason for this was not only the afore-mentioned constraints of not being able to visually judge facial expressions and body language, but also the fact notes had to be taken while interviewing, a problem which did not exist with face-to-face interviewing as recordings were made. However, an advantage was that the interviews did not need any of the time-consuming transcription of face-to-face interviews.

This leads us to the second type of data collection method, the questionnaire, which was employed.

#### **4.3.2.1.3. Questionnaires as Data Collection Method**

Questionnaires are not very common in qualitative research (Woods, 2006). However, some of the respondents preferred this method for different reasons. Firstly, constraints related to a language barrier<sup>16</sup> and time issues were experienced. It is assumed that one of the reasons is that language played a role as two of four returned questionnaires were in Afrikaans. The third and fourth persons said that they preferred to answer by email as it was more convenient for them due to time constraints. The result was that the quality of the answers was not as good as in the case of the face-to-face or even the telephonic interviews as the researcher was not able to probe the respondents for more detail of their answers. Unfortunately some questions were simply answered with a 'yes' or 'no' without any explanations. However, overall the information was still useful and helped to understand and interpret the points of view of this stakeholder group with regards to the organisational legitimacy of Namdeb.

However, bias issues also occur when the interview and questionnaire methods are employed. These are discussed next.

#### **4.3.2.1.4. Interview and Questionnaire Bias Issues**

Three types of bias issues were addressed with regards to the interviews conducted and questionnaires collected. These include researcher bias, respondent bias and sampling bias. Firstly, potential researcher bias was already explained in the previous section but to

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<sup>16</sup> Most Namibians speak Afrikaans even though English is the official language. Some Namibians, mostly depending on the level of education and background, do not feel comfortable speaking English. However, this was not a real constraint as the researcher speaks both languages fluently.

recapitulate, it was stressed that biases are present in qualitative research as it is rarely possible for the researcher to place distance between him- or herself and the data. Journal reflections assisted in improving the reliability of the general interviewing process as it reminded the researcher about issues such as open-mindedness and allowing the respondents to give their accounts by not leading and influencing them. The questions asked were also carefully considered and were broadly based upon what people expect from such an important company in the Namibian business environment. Transcribed interviews were also sent to respondents to check if interpretations and general transcription were correct. Only two of the respondents returned the interviews with minor corrections.

For the second type of bias, respondent bias, especially in the business ethics field, the effects of a social desirability response bias on self-reported ethical conduct has a number of research and practical implications (Randall & Fernandes, 1991). In qualitative research, people tend to report behaviour in light of what they feel others will expect is appropriate (Randall & Fernandes, 1991). In view of this, it is important that researchers dealing with value-laden topics under ethics research be sensitised to the possibility of strong social research bias. In this study, it was found that some government officials who were mostly also South West Africa People's Organisation (SWAPO) party loyalists wanted to prove above all that Namdeb is a great example of a PPJV and that there were no real ethical problems such as corruption. Their responses were biased as an obvious pattern was identified whereby the same party loyalists made similar statements based mostly on political allegiance. It is also argued that government employees could also have given biased responses because they did not want to say anything against their employer, the Government of Namibia as the possibility of sanction always exists. A second category of respondents, including some community members, community representatives, people

from the political opposition and some journalists may also have provided biased answers based respectively upon their political beliefs and their unfulfilled expectations of what the government's role is and what it should have accomplished since independence in 1990. In order to control the influence of this bias, the role and position of the respondents were taken into consideration throughout the different steps of data analysis.

Lastly, attention was paid to sample bias when the sample was constituted (stakeholder identification according to stakeholder theory and the snow-ball method and the choice of company, Namdeb) and sample size and saturation were considered. These issues were discussed previously.

Even though interviewing as data collection method was principal in this research, secondary data was of course also employed. This is discussed in the next section.

#### **4.3.2.2. Sources of Secondary Data**

Secondary data covered different sources such as published materials including journal articles, company reports, official government documents, international agency (e.g. United Nations (UN) and World Bank (WB)) reports, books, both national and international newspaper articles and the electronic media. These sources provided not only an essential preparation for the interview questions and sample selection made possible through stakeholder identification and ultimately the snowball method, but also helped to cross-check official information, explain about major events, technical details, historical decisions and main organisational players and roles.

The national media as secondary source of data was also of vital importance for two reasons. Firstly, the Namibian press are generally free to report without fear of being

castigated and reprimanded. For example, Namibia was ranked first on the African continent for its press freedom in 2010 and since 2005, was ranked in the 25th position on the World Press Freedom Index of the Reporters Without Borders (RSF), the highest on the African continent and ahead of South Africa and the United States which ranked 31st and 44th respectively (Sasman, 2011). This means that the information in the Namibian media is by and large independent and generally provides an overall objective picture of what is happening on the political, economic and social levels of society. Secondly, the media played an especially important role during the analysis of the interviews and questionnaires as it was used as triangulation source to check the reliability and relevance of categories and themes.

Following is an explanation of the data analysis methods and tools which were used.

#### **4.4.3. Data Analysis – Methods and Tools**

In this section an overview of the two main analysis phases is given. Table 4.2 below summarises these phases and also introduces the tools and methods which were employed. Firstly, analysis already took place during the early interviewing phase, and secondly during the final interviewing phase and content analysis of the interviews and questionnaires. To present this process, this section is presented in this specific order with the methods and tools employed in each case.

##### **4.3.3.1. Analysis during the early Interviewing Phase**

Analysis took place right from the start of the data collection process as inductive reasoning and analysis were already engaged in during the early interview phase. These two processes took place simultaneously. Inductive reasoning, a major element in the data



analysis process, involves the observation of a particular set of instances that belong to and can be identified as a larger set (Feldman, 1998). Inductive reasoning is indeed the pattern of what is 'figuring out what's there' by starting with details of experience and then moving to a general picture. Research questions can thus be easily addressed with the inductive reasoning of qualitative enquiry. In view of this, a specific framework was not presented at the start of the study even though literature was reviewed before. It simply means that at this stage, there was not a ready-made map for the study as is the case for the deductive study. For example, it was not known which categories would be used during content analysis or what the final number of interviews would be.

The third technique outlines transcribing, reading and coding early data. The analysis of data was done by following the trends in the patterns that emerged in the course of the research that explain past data. When interviewing respondents, one is listening for narratives about why things happened in the way they did (or not), in the case of adoption. Hence one is collecting multiple interpretations with all their contradictions, rather than finding the 'right' interpretation (Yin, 2009). In the context of the study, the researcher transcribed and coded the first five interviews. This allowed for a refinement of the questions, and even the omission or addition of new questions for future interviews. While the interviewer did not lead the interviews other than through the 'interview guide', the early coding was inductive and expanded the areas of interest.

The fourth technique relates to journals and memos - techniques widely discussed in Strauss & Corbin (1990). When working in an interpretive paradigm it is important to see the merit of reflection and documentation of these reflections. Journal reflections were made at the end of each interview, in this case, at the end of each of the first five interviews conducted.

**Table 4.2 – Analysis Phases and Methods and Tools employed**

ANALYSIS PHASES	METHODS AND TOOLS EMPLOYED
Early interviewing Phase	<ul style="list-style-type: none"><li>• Transcribing, reading and coding early data</li><li>• Inductive reasoning</li><li>• Content analysis</li><li>• Explaining research and obtaining consent to use data</li><li>• Checking interpretations while interviewing</li><li>• Journal reflections and memos</li><li>• Checking interpretations of transcribed interviewees with respondents</li></ul>
Final Interviewing and Analysis of Interviews and Questionnaires Phase	<ul style="list-style-type: none"><li>• Transcribing, reading and coding</li><li>• Transcribed interviewees sent to respondents for verification</li><li>• Inductive reasoning</li><li>• Content analysis</li><li>• Check-Coding</li><li>• Journal reflections and memos</li><li>• Annotations through NVIVO QSR</li><li>• Triangulation of three data sources (secondary data e.g. newspaper articles, primary data e.g. interviews)</li></ul>

In most cases as much time was invested in the written reflection and investigation of themes and links between data and theory as there was in the interview. Memos and annotations were also made regularly throughout the analysis phase in QSR NVivo, the computer software programme for qualitative data analysis which was employed in this research. The memos and annotations proved to be a great source of reflection and assisted in the refining of the research in general and the testing of alternative interpretations.

The next section describing the content analysis phase is particularly important as most of the analysis was done during this phase.

**4.3.3.2. Content Analysis of the Interviews and Questionnaires Phase**

In the second and most important phase of data analysis, after transcription of all interviews and after checking interpretation and correctness of interviews with respondents

by sending interviewees the transcribed interview, content analysis was predominantly applied. As mentioned before, during this period the bulk of the analysis, in other words, of all the interviews and questionnaires, took place. The main result is that 48 issues with a total count of 1129 instances affecting organisational legitimacy were identified. The content analysis phase was approached by employing three distinct steps. Firstly, the research question *'To what extent can external stakeholder issues affecting Namdeb's legitimacy be classified, managed and controlled?'* was identified. In order to answer the question, five investigative questions based on the research question were also formulated (Table 4.3 below).

Secondly, the recording unit was established. In the case of this study phrases and paragraphs were used in the construction of categories and themes for analysis. The assumption is that words and phrases mentioned most are often those reflecting important concerns in every communication (quantitatively) (Krippendorff, 1980) and that logically, these will become the categories and themes upon which the analysis will be based.

**Table 4.3. Investigative Research Questions**

<b><i>Q1 – Which types of external stakeholder issues affect the legitimacy of Namdeb?</i></b>
<b><i>Q2 – What is the frequency and ranking of the different external stakeholder issues affecting Namdeb's legitimacy?</i></b>
<b><i>Q3 – What is the frequency of the different types of legitimacy as mentioned by Namdeb's external stakeholders?</i></b>
<b><i>Q4 – Does the proposed legitimacy types based on Namdeb's external stakeholders' statements correspond with Suchman's (1995) description of legitimacy types?</i></b>
<b><i>Q5 – How can Namdeb influence its legitimacy by employing the proposed typology of organisational legitimacy introduced above?</i></b>

However, to be able to identify these categories and themes, the data needs to be examined repeatedly. For example, in this research, interview transcripts, questionnaire answers and written notes were analysed systematically through iterative and repeated re-reading of them. This made it possible to gain an increasingly profound understanding of each interviewee's point of view and perspective, of links and contradictions within and across interviews, of complex contextual factors emerging and of the different and many relationships between the relevant concepts.

This process is also referred to as 'coding'. To review a set of field notes and/ or interviews, transcribed or synthesised, and to dissect them meaningfully, while keeping the relations between the parts intact, is the main objective of analysis according to Miles and Huberman (1994). In this research, two types of coding took place for identifying issues. In a first instance, predominantly emergent coding took place, while in a second place, some *a priori* coding was also employed. In the case of the former type of coding, emergent coding, also referred to as the inductive approach or *priori* coding, the categories are established following some preliminary examination of the data (Stemler, 2001). The researcher followed the inductive coding technique of Strauss (1987) which proposes that initial data are collected, written up, and reviewed line by line, typically within a paragraph. New themes and categories were identified in this way. These became codes and were labelled with appropriate names. All the instances and inferences with the same meaning were consequently coded under the corresponding codes. In a second instance, *a priori* coding also took place as, for example, Suchman's (1995) definitions of legitimacy and legitimacy types were used to form codes under which examples of such types of legitimacy were classified.

Furthermore, it was observed that during the analysis of the interviews, or the coding process, a few things happened, sometimes simultaneously: more nodes were added, some nodes were deleted, merged with other nodes or split into separate nodes. For example, at some point it was decided to split the 'resource curse' issues which were grouped together under the 'corruption' node which is classified under 'Political Issues'. A new node called 'resource curse' was formed and classified under 'Economic Issues' as it made more sense in terms of resource curse issues which are more often than not described in relation to the economy of countries. As a consequence, better justification and coherence was obtained. Coding and recoding were over when the analysis itself appeared to have run its course, for example, when all of the incidents could be readily classified, categories were "saturated", and sufficient numbers of "regularities" emerged, as described by Strauss (1987), Lincoln & Guba (1985) and Miles & Huberman (1994).

Furthermore, the quantification of qualitative data and the consequent frequency of nodes or rather the 48 issues identified, involved turning the data from words and themes into numbers as Green (2010) describes. As was explained above, this is a dynamic process which involves generating data "out of dialogues or narratives that are grounded in self-constitution, a dialectical process whereby individuals experience themselves in relation to the other, a subjective process which places the qualitative researcher directly into the research, interpreting interpretations, making, unmaking, and remaking stories [ ... ] and what are subjectively constructed conclusions, resulting in the de-valuing of qualitative data. Yet, there is considerable meaning and richness in what has been made silent in positivist frameworks. (Ward, 2007; pg. 3).

The 48 identified issues and their frequencies were carefully considered by taking into consideration context and position of the respondent in order to allow for reliable

interpretation albeit often potentially biased as in the case of most qualitative research. In addition, and equally important, careful consideration of the number of times the same issue was mentioned by the same respondent/s was continuously paid attention to throughout the data analysis process as interpretation of the data is obviously greatly influenced by such a matter. It was observed that the most important themes were brought up by a majority of respondents but that other issues were only brought up respectively by certain groups of people such as government officials, academics and civil society. There was also some overlap which was always taken into consideration and explained throughout analysis and discussion. Therefore, the importance of issues were judged according to the number of times it was brought up by different respondents and not only by the number of times it was brought up as one respondent could repeat the issue more than one time.

In view of the above, and as stated before, qualitative research is important because it generates data that can provide in depth insight into a question or topic. However, in order to draw conclusions from this type of data, it is generally expected that it is essential to quantify the data in order to mediate the seemingly subordinate positioning of qualitative data discussed previously. The usefulness of this practice is valuable and of ultimate importance in qualitative research and Ward (2007), for instance states that “by including a qualitative component in survey research, for example, one can generate data that may provide insight into what the numbers actually mean and broaden theoretical conceptualizations around many of the issues” (pg. 2). Indeed with the quantifying of qualitative data or the framing of it in a scientific construct, one is capable of incorporating multiple viewpoints in defining the theoretical boundaries of assessment practice, allowing numbers to “speak” in order to enhance understanding of data (Ward, 2007). This means that the quantifying of qualitative has become increasingly important to locate qualitative

research within the “confines” of positivist frameworks, i.e. quantifying qualitative data by (1) constructing a rigorous research frame; (2) applying a suitable methodological approach; (3) utilising sound analytical procedures; and (4) inverting the results to resemble a quantitative construction (Ward, 2007).

After the process of coding the data which was discussed before, the results were displayed in tables to allow for easier interpretation. Six tables and diagrams specifically related to the codification and frequency of the data, and predominantly related to the five research questions were developed. In other cases simple matrices or charts can be used to compile interview data so that patterns can be determined among respondents (Green, 2010). As mentioned previously, in order to analyse the data, the use of a computer-assisted qualitative data analysis program, NVIVO was employed. This program was excellent in linking the codes with the text in order to perform complex model building and help in data management. The coding and analysis of data in qualitative research is done differently for each study and depends on the research design, as well as the researcher’s skill and experience (Green, 2010). In this research it is always essential to clearly document how the data was coded and interpreted, and it is important to quantify it in order to draw conclusions.

The final step in content analysis is to show how issues of reliability were addressed as the main disadvantage of content analysis is that the analyses can be ‘dirty’ meaning it may seem marred by analyst bias. At this stage it is important to engage in “code-checking” because it helps with definitional clarity and reliability depends on it (Miles & Huberman, 1994). Certain steps were established during the coding process to improve reliability. For example, a set of categories were developed and the number of instances that fall into each category were counted. The crucial requirement was that the categories are sufficiently

precise to enable different coders to arrive at the same results when the same body of material is examined (Berelson, 1952). In this way, particular attention is paid to the consistency of the categories and reliability of its measures – ensuring that the different researchers use them in the same way – and to the validity of its findings (see Selltitz, Jahoda, Deutch & Cook, 1964).

Following is an explanation of how reliability issues in the content analysis process were addressed.

#### **4.3.3.3. Reliability Issues in Content Analysis**

In this study five successive steps were taken to address reliability issues at this stage of analysis.

1. As explained before, the researcher collected data (42 interviews), produced transcriptions, and reviewed these line by line, typically within a paragraph. Initial categories and codes were established.
2. These original codes developed by the researcher were checked against a sample of the interview data (extracts from five interviews) coded by a colleague who is an expert in the field of business ethics. This was done because definitions become sharper when two researchers code the same data and discuss their initial difficulties. A disagreement shows that a definition has to be expanded or otherwise amended. There was some disagreement about certain codes and categories and these were revised. For example, a difference of opinion came about with regards to the 'corruption' node. The first researcher was sure that it should be classified as a political issue, while it made more sense to the second researcher that it was more an economic issue which had monetary consequences. Both points of view were



considered and it was decided that in the context of the study, 'corruption' fitted more under the political issues. New categories were also added and some were made redundant.

3. The same exercise was repeated again with the same research colleague after more coding and in some cases re-coding and re-arranging of codes and categories took place. This proved to be very important as common characteristics was found in the definition of the codes. For example, at this point, one major category which was originally thought to be strong enough on its own, 'Historical Issues', was made redundant as it was more useful to incorporate it under 'Political Issues'. There were quite a few of these cases illustrating how important check-coding is for tightening categories and themes even further as the research progresses.
4. After initial completion of data analysis, the categories and themes were "tested" with 40 students in a research methodology class in three consecutive steps. Firstly, the students were divided into 10 groups of four each. Secondly, excerpts from five different interviews were selected. Thirdly, the same excerpt was given to each person forming part of two different groups to code with the coding scheme used by the researcher. They were asked to code the interview in three different steps - in a first step, individual coding and noting of these was requested. In a second step, the participants were asked to discuss their coding results with the rest of the group and to note these collective results. Fourthly, the researcher compared the notes of the two groups who worked on the same excerpts. This process was crucial to the further refining of the codes as it allowed the testing of the categories and themes and the eventual elimination, or the merging with other categories of some coded data which was considered less important in the global context of the study. The counting of inferences of themes and categories also helped during this stage.

5. A last issue which was paid attention to is the fact that coding causes the breaking down of data into its constituent parts. This can distort and mislead the analyst as this may destroy the totality of the philosophy expressed by the interviewee. In order to address this, the researcher followed the advice of Wiseman (1979), who says that the solution is to work back and forth between the coded parts and the whole of the data. For example, between coding different sections, interview sections were re-read to ensure that the real meaning of what the respondent was saying was properly understood.

At this stage, use was also made of data triangulation of sources, as is suggested by Collis and Hussey (2003). Triangulation usually refers to combining multiple theories, methods, observers and empirical materials to produce a more accurate, comprehensive and objective presentation of the object to study (Silverman, 2006). In this study, interview data and local newspaper articles were scrutinized to see if the same types of themes such as De Beers' investment or lack thereof in the Namibian economy is considered a serious issue. The articles employed cover the period from 1990 (independence of Namibia from South Africa) to the present. Similar, and the same types of themes and issues came up in both types of data. However, other issues not directly important in the context of this research, such as diamond theft and the illegal selling of these, are also a prominent theme in the local newspapers. These issues were not considered in this research.

In the next section the final and fourth type of data analysis method, auto-ethnography, is discussed.

#### **4.3.3.4. The Autobiographical Storying Method**

As explained before, autobiographical storying, a type of autoethnography method was used in this study as the researcher is of the opinion that her 'story' is not separate from the

study but that her personal experience in this cultural context is indeed relevant to better understand the topic of organisational legitimacy at hand. This is in line with Wolcott's (1994) suggestion that qualitative researchers should be storytellers and that storytelling should be one of their distinguishing attributes. As method, auto-ethnography is described as an approach to research and writing that looks to describe and systematically analyse (*graphy* i.e. the research process) personal experience (*auto* i.e. self) in order to understand cultural experience (*ethno* i.e; culture) (Ellis, 2004; Ellis, Adams & Bochner, 2011). In this research autobiographical storytelling is applied to provide, above-all, a more detailed account of the cultural, social and political environment of Namdeb, the company under investigation. It was found that by using a personal lens to look at the data provided, valuable information which enhanced understanding of the topic at hand came to light. The method also allows the researcher to connect to the audience (the eventual readers) and vice versa.

The main concerns regarding credibility, including reliability and validity issues of the methods discussed above are elaborated upon in the next section.

#### **4.4.4. Credibility and other Important Qualitative Research Criteria**

Without rigor, research is worthless, becomes fiction, and loses its utility (Morse, Barret, Mayan, Olson, & Spiers, 2002). For this reason, attention needs to be paid to the credibility of research. Credible results reflect the experience of the researcher, the research participants and the context in a believable way (Whittemore et al., 2001). According to Silverman (2006), two central concepts are important when addressing credibility issues: firstly, 'validity' and secondly, 'reliability'. Patton (1990) states that validity and reliability are two factors with which all qualitative researchers should be concerned about while designing the study, analysing results and judging the quality of the study. Other important

factors affecting the credibility of qualitative research include ‘authenticity’, ‘criticality’, ‘integrity’ and issues specifically related to confidentiality and ethics (Silverman, 2006; Neuman, 2000; Whittemore et al. 2001; Collis & Hussey, 2003; Patton, 1990; Brower et al. 2000, Hall & Callery, 20001). In a first instance, ‘reliability’ and in a second instance, ‘validity’ are elaborated upon.

#### **4.3.4.1. Reliability of the Research**

Concerns regarding reliability have been addressed in several ways in this study. Firstly, as mentioned before, a major critique of the qualitative study is that it is open to biases as data is based on interviews, personal accounts, real life experiences and face-to-face encounters (Jenkins, 2010; Shank, 2006). With regards to this study, reliability issues have been addressed in several ways. These are summarised in Table 4.4. below. As most of these issues were already discussed extensively under the relevant sections, only a brief synopsis is given to summarise the main points for common reliability criteria against which research should be measured for conformance to academic and ethical standards (Silverman, 2006; Neuman, 2000; Whittemore et al. 200; Colis & Hussey, 2003; Patton, 1990; Brower et al. 2000, Hall & Callery, 2001).

For each of the four main methods (research based on a case-study; interviewing; content analysis and autobiographical storying) bias concerns were addressed with remedial or preventative actions. One of the common remedies which was employed is the fact that the researcher was ‘aware of biases’ which might occur throughout the study. This is fundamental for guaranteeing reliability as potential biases which might occur can be addressed through explanation and contextualisation or may even be illuminated right from the start in some cases.

Firstly, in the case of reliability issues related to the case-study method, researcher and sampling biases were identified. Both of these were addressed by 'awareness of biases', 'critical thinking based on theoretical grounds' and 'purposive sampling'.

Secondly, when interviewing took place, the same two types of biases mentioned above, sampling and respondent biases, were also paid attention to. For example, in the case of researcher bias, 'awareness of biases', 'checking transcribed interviews with respondents' and 'respondent validation' were the remedies employed. Additionally, to address the sampling bias issues, three antidotes were used. These are 'reflection while identifying stakeholders', the 'snow-ball method' which allowed for a more representative and less biased sample as other respondents identified more interviewees and 'purposive sampling'. Also, this method helped to ensure the saturation of the identified stakeholder groups. Furthermore, the interview guide was designed to gather as much information, and different kinds of information as possible, but still within the limits of the research field, from the respondents. In other words, by doing this, detailed accounts of the same phenomena were captured from different perspectives.

Thirdly, reliability issues related to content analysis include both researcher and respondent biases. The former, researcher bias, was remedied by employing three correctives. These are 'awareness of biases', 'code-checking' which was facilitated by journal reflections and memos, and 'triangulation'. The first, 'awareness of biases' has been explained extensively before. The second anti-dote, 'code-checking' proved to be very efficient in assisting to constitute reliable categories and nodes throughout the content analysis process.

**Table 4.4. Methods, Potential Biases and Remedies Employed**

Methods	Potential Biases	Remedies Employed
1. Case-Study Research	Researcher Bias	Awareness of biases
	Sampling Bias	Critical thinking based on theoretical grounds – organisational legitimacy and stakeholder theory  Purposive sampling
2. Interviewing	Researcher Bias	Awareness of biases  Transcribed interviews checked with respondents  Respondent validation (checking research interpretations)
	Sampling Bias	Reflection while identifying stakeholders (e.g. Attention was paid that the professional history of the respondent did not influence the sample).  Snow-ball method, thereby ensuring saturation of the different stakeholder groups  Purposive Sampling
3. Content Analysis (Coding)	Researcher Bias	Awareness of biases  Code-checking in three ways – 1.through repeated reading of interview texts; 2.checking and re-checking with another researcher and 3. Re-checking codes with 40 students in a methodology class.  Triangulation – primary and secondary sources of data, personal experience through auto-ethnographic reflection, as well as journal reflections and memos.
	Respondent Bias	Attention was paid that the professional history of the respondent did not influence the sample.

The third remedy, ‘triangulation’, through secondary and primary data, autobiographic reflection and journal entries and memos, also helped with the reliability of the study. In the case of respondent bias, the profession and political positions of the respondents were taken into consideration while analysing and constituting the nodes and categories. While this in itself may be considered a judgment, it was necessary to understand the context in which statements were made, and also the reasons for these.

Finally, regarding the reliability of the types of auto-ethnographic method, autobiographic storying, auto-ethnographers value narrative truth based on what a story of experience does, that is, how it is used, understood, and responded to by them and others as writers, participants, audiences, and humans (Ellis, Adams & Bochner, 2011; Denzin, 1989). They recognise how what they understand and refer to as the “truth” changes as the type of

writing or representing experience changes (e.g. fiction or non-fiction). They also acknowledge the importance of contingency (Ellis, Adams & Bochner, 2011) as they know that memory is fallible and that it is impossible to recall or report on events in language that exactly represents how those events were lived and felt. Furthermore, they recognise that people who have experienced the “same” event often tell different stories about what happened (Tullis Owen, McRae, Adam & Vitale, 2009). Therefore and very important to take into consideration is the fact that when terms such as reliability, validity, and generalisability are applied to auto-ethnography, the context, meaning and use of these terms are altered (Ellis, Adams & Bochner, 2011) .

In view of this, for an autobiographic story-teller or auto-ethnographer, questions of reliability refer in fact to the narrator's credibility. For example, Ellis, Adams and Bochner, (2011) ask if the narrator could really have had the experiences described or whether he believes that this is actually what happened to her or him? In the case of this research, stories were told as they were remembered. However, most of it happened more than 20 years ago so it is acknowledged, in accordance with the above, that memory is fallible and that someone else in the same situation might have interpreted the events referred to differently. Nonetheless, in this research, use was made of triangulation of three types data (secondary and primary data and autobiographic storying) which improved the overall reliability of the study. Apart from being aware of the potential researcher biases, the researcher also used journal reflections and memos throughout the research process. In addition, attention was paid not to over-rely on the personal point of view but to balance this with the research results obtained from data analysis. This allowed for a fair account of the overall results.

This discussion is further elaborated upon in the next section which addresses validity issues.

#### 4.3.4.2. Validity of the Research

The validity issues addressed in this research is summarised in table 4.5. below. Brinberg and McGrath (1985) explain that ‘validity is not a commodity that can be purchased with techniques ... Rather, validity is, like integrity, character and quality, to be assessed relative to purposes and circumstances’ (pg.13). In view of this, validity generally concerns the degree to which an account is accurate or truthful.

**Table 4.5. Validity Issues**

Research Methods	Methods applied to enhance Validity and Reliability	Types of Validity
1. Case-Study	<p>Critical thinking based on theoretical grounds – organisational legitimacy and stakeholder theory</p> <p>Purposive Sampling</p>	<p><b>Theoretical Validity</b></p> <p><b>Validity based on adequacy of sampling</b></p>
2. Interviewing	<p>Early coding</p> <p>Respondent Validation (checking interpretations while interviewing)</p> <p>Checking that respondents agree with the content of the transcribed interviews</p> <p>Purposive Sampling - Reflection and Stakeholder Identification</p>	<p><b>External validity (Generalisability)/ Descriptive Validity</b></p> <p><b>Interpretive Validity</b></p> <p><b>Interpretive Validity</b></p> <p><b>Validity based on adequacy of sampling/ Theoretical Validity</b></p>
3. Content Analysis	<p>Triangulation</p> <p>Coding and Code-Checking</p> <p>Journal Reflections, Memos &amp; Annotations</p>	<p><b>Theoretical Validity</b></p> <p><b>External Validity/ Descriptive Validity/ Interpretive Validity</b></p> <p><b>Interpretive Validity</b></p>

In this study, attention was paid to five types of validity (see Table 4.5. above) - descriptive validity, interpretive validity, theoretical validity and external validity which also refers to generalisability. This latter type includes the fifth type of validity, validity



based upon adequacy of sampling. Firstly, with regards to descriptive validity, careful and precise description of data gathering, data analysis and the general research process was a main priority throughout the research process. Descriptive 'validity' is that which is concerned with the initial stage of research, usually involving data gathering (Winter, 2000). However, descriptive validity is not only important in the beginning of the research. Indeed it is of fundamental importance throughout the research procedure. The central issue is factual accuracy in the informational statements that describe what was observed and experienced - what Runciman (1983) calls 'reportage.' It was found that this type of validity was especially important during the interview and content analysis phases when the coding process was described. In order to illustrate how the final codes were established, it was of imperative importance to show the steps and explain who were the people involved in assisting to prove the validity of the codes.

The second type of validity, interpretive validity, is grounded in the language of the people studied and rely, as much as possible, on their own words and concepts. In this research mainly during the interviewing and content analysis phases, use was made of descriptive validation. During the interviewing phase, in a first instance, the respondent's validation of interpretations was sought while interviewing by asking further questions if the meaning of what was said was unclear. In a second instance, during this phase, the transcribed interviews were sent to the respondents for validation. Generally most interviewees were satisfied with the transcriptions and only two persons asked for changes to be made. During the content analysis, also called the coding phase, interpretive validity was important throughout as the main data analysis took place. Code-checking was useful in making sure that what the respondents were saying was interpreted correctly by the researcher. To further assist with this process, extensive use was made of journal reflections, memos and annotations which helped to increase interpretive validity. It was

found that these notes contained information which assisted with the interpretation of respondents' points of view, thoughts and expectations.

The third type of validity, theoretical validity is based upon theoretical understanding which goes beyond concrete description and interpretation. Its value is therefore based on its ability to explain succinctly the biggest amount of data. In this research the major theory on which the thesis is built, is legitimacy theory. However, other fields of research also played a role. These are ethics, business management, social and political studies and stakeholder theory. During the content analysis phase, concepts and relationships related to organisational legitimacy were investigated mostly according to stakeholders' views and perceptions. Issues which affect the organisational legitimacy of Namdeb were identified and investigated to show, for example, which types of organisational legitimacy were prominent at Namdeb.

The fourth type of validity, external validity, also called 'generalisability', refers to the approximate truth of conclusions which involve 'generalisations' (Baskerville, 1996; Silverman, 2006). In the case of this research, it is acknowledged that not all of the conclusions drawn are necessarily 'generalisable' but that the study nevertheless provides further insight into company legitimacy matters. Here sampling serves two purposes. Firstly, it should allow one to feel confident about the representativeness of the sample and allow the researcher to make broader inferences (Silverman, 2006). In this study, attention was paid to the sampling of firstly, the case study and secondly the interview respondents. In summary, the case study Namdeb was not chosen randomly and included reasons such as accessibility and theoretical considerations. According to Flick (1998), generalisability is not always a goal of qualitative research, especially when case studies are investigated.

Sampling based on adequacy also refers to the interview sample which was purposive in this study. The respondents were chosen by making use of stakeholder identification according to stakeholder theory followed by the snow-ball method. It is considered that this method is potentially generalisable for companies such as Namdeb in the natural resources industry in developing countries, especially as the political, economic, social, environmental and legislative issues and stakes are likely to be similar.

In this research use was also made of triangulation of primary and secondary data sources (interviews and newspaper articles) to further assist with the validity of the study as the most productive search for validity comes from a combined series of different measures (Silverman, 2006).

Following is a short description of how confidentiality and ethical issues were addressed.

#### **4.3.4.3. Confidentiality and Ethics**

Confidentiality and ethical issues addressed in this research include issues of informed consent, participation and confidentiality of participants. Firstly, issues of informed consent were addressed by providing information about the research to each participant to enable an informed decision whether to participate or not. Secondly, all participants approached accepted to be interviewed. Participation was voluntary and the participants fell into mainly two groups: those identified by the researcher through stakeholder analysis and those approached through the snowball technique. As soon as the potential interviewee confirmed their willingness to participate in the research, a letter was sent to them. The reason for this was to officially thank them, inform them in writing about the research and to confirm an interview time and place. Thirdly, regarding confidentiality, interviewees were asked to review the transcribed interviews and to inform the researcher whether they

wanted to be quoted directly or not. Very mixed responses were received: some said that they did not want to be quoted directly; some said yes, but only if they could make changes to the transcribed interviews and some gave their permission to be quoted without conditions. However, for coherence, it was decided that all interviewees would be quoted anonymously. A number was accorded to each interview and the stakeholder group he or she was presenting was tagged to each quote to facilitate analysis.

Finally, following is a summary of this chapter.

#### **4.5 Summary**

In this chapter a detailed account of the research project and the methodology employed was given. Table 4.6. below summarises these aspects. The research paradigm, data collection methods and sources and data analysis were discussed. The manner in which reliability issues were addressed at each stage of data gathering and data analysis were also explained in detail.

**Table 4.6. Summary of the Research Project**

<b>RESEARCH ASPECTS</b>	<b>CHOICES</b>
Research Title	An Issue-Based Approach to Organisational Legitimacy: The Case of Namdeb
Research Strategy	Single Case Study Analysis
Subject	External Issues affecting Organisational Legitimacy
Company	Namdeb – PPJV between the Government of Namibia and De Beers
Epistemological & Ontological Assumptions	Exploratory & Interpretive
Research Techniques	Primary Data - Semi-structured face-to-face and telephonic interviews which were transcribed and analysed through content analysis (coding)  Secondary Data (official government and company documentation, newspaper articles, academic articles and books about Namdeb and De Beers)  Triangulation of data sources - primary (interviews) and secondary (newspaper articles etc.) data as well as autobiographical storytelling  Triangulation of methods (content analysis and auto-ethnography)
Timeline	Start Date: April 2007; End Date: March 2012
Theoretical Framework	Principally Legitimacy Theory but also stakeholder theory (for the identification of Namdeb's stakeholders), management, political, social and business ethics studies.

In the next chapter the results of these methods discussed above are put forward. This resulted in the answering of the five investigative questions as well as the research question.

## 5 PART I - RESULTS OF INVESTIGATIVE & RESEARCH QUESTIONS

### 5.1 Introduction

This chapter is the first of two consecutive chapters providing a discussion of the results of the investigative questions and the research question. As discussed before, five investigative were identified (Table 5.1 below) in order to facilitate the answering of the research question *‘To what extent can external issues affecting Namdeb’s legitimacy be identified, classified, influenced and managed?’* Here only the first question (highlighted in Table 5.1 below) is addressed in order to thoroughly and clearly report and explain the issues which were identified during the first round of analysis. Answering of this question is also assisted by the employment of reflexive opinions to give a general and personal overview of the political, economic and social context in which Namdeb, the company under investigation, is immersed.

At this point it is also important to underline that all five questions are constructed on the eventual answer of the previous question in order to promote the progressive advancing towards answering the research question. Throughout this chapter (Part I of results) and the following chapter (Part II of Results), the outcomes are presented in tables indicating the categories and, for example, the numbers of instances issues were mentioned by the interview respondents. Instances refer to the number of times an issue has been mentioned overall by Namdeb’s stakeholders. To further assist with consistency, issues are always presented in terms of importance in the tables, meaning the highest number of instances counted. In the text the number of instances issues were mentioned are always presented in brackets next to the issue.

**Table 5.1. Investigative Research Questions**

<i><b>Q1 – Which types of external issues affect the legitimacy of Namdeb?</b></i>
<i><b>Q2 – What is the frequency and ranking of the different external stakeholder issues affecting Namdeb's legitimacy?</b></i>
<i><b>Q3 – What is the frequency of the different types of legitimacy as mentioned by Namdeb's external stakeholders?</b></i>
<i><b>Q4 – Does the proposed legitimacy types based on Namdeb's external stakeholders' statements correspond with Suchman's (1995) description of legitimacy types?</b></i>
<i><b>Q5 – How can Namdeb manage its legitimacy by employing the proposed typology of organisational legitimacy introduced above?</b></i>

In view of the above, following is a discussion of the first investigative question which logically opens the door for the investigative questions and answers to follow in Chapter 6.

## **5.2 Q1 - Which types of issues affect the legitimacy of Namdeb?**

Before even beginning to answer the research question, the types of issues affecting organisational legitimacy had to be identified. Table 5.2. below shows that a total of 48 issues were identified and 1129 instances counted. These issues were further categorised into five categories which emerged during analysis namely *political*, *economic*, *social*, *environmental* and *legislative*. Political and economic issues were by far the most and accounted for 19 and 16 issues respectively. However, in terms of instances counted, political issues accounted for more than double that of economic instances with 698 (62%) and 331 (29%) in that order. Social, environmental and legislative issues respectively have seven, five and one issue each and instances counted for each are 47 (4%), 36 (3%) and 17 (2%) respectively. Total negative issues are 37 with 978 instances which account for 87%

of all issues identified. Total positive issues are 11 with 151 instances which translate into 13% of overall issues.

The answer to Question 1 will be answered by discussing each of the five identified categories of issues in three parts. Firstly each category is introduced by a personal reflection or an auto-ethnographic reflection linked to the issues at hand. Secondly and thirdly, negative and positive issues will be discussed respectively. These two sub-categories, negative and positive issues, were identified through further analysis of the original 48 identified issues. In this context, positive issues refer to the constructive actions and attributes, while the negative issues point to those actions and perceptions which detrimentally affect Namdeb. With negative issues accounting for 87% and positive issues for only 13%, it is understood that the overall critical tone of the interviews may be a reaction to company operations and legitimacy of Namdeb being the subject of the interviews. This is related to Sutton's (1993) explanation that puts forward the idea that legitimacy is closely connected to crisis, because as long as a social institution is perceived as legitimate no questions regarding its validation are raised. Thus, asking about an organisation's legitimacy and issues related to it, is an invitation to evaluate the reasons for why it may not be legitimate. Therefore, it is not sufficient to only count the incidents, but it is important to also analyse how people argued in favour and against the legitimacy of Namdeb.

Furthermore, it is crucial to look at the political, economic, social, environmental and legislative contexts enforcing these opinions. This is done in the following sections which treat each of the different types of issues separately. In addition, in order to facilitate the discussion, the two biggest categories, negative political and negative economic issues,



will be elaborated upon under three different themes each which emerged through further analysis, as the issues identified are numerous and diverse.

**Table 5.2. Types of Issues affecting Namdeb's Organisational Legitimacy**

<b>ISSUES (Total 48)</b> Total Instances – 1129	<b>NEGATIVE ISSUES (Total 37)</b> Total Instances – 978 (87%)	<b>POSITIVE ISSUES (11)</b> Total Instances – 151 (13%)
<b>POLITICAL – 19 Issues</b> Instances - Total 698 (62% of overall legitimacy issues)  (677 negative – 97% of total political issues & 21 positive – 3% of total political issues)	<b>Negative Political Issues (16)</b> Governance issues related to the structure of the public-private joint venture (219) Transparency issues (85) Corruption (75) Accountability issues (44) Not all stakeholders are included (40) Ownership of diamonds (37) Political interference (34) CSR seen as public relations (34) Local communities do not benefit (29) Distrust from society (24) Reputation and power of multinational enterprises (18) Internal staff issues (11) Reputation of parastatals (8) Reactive instead of proactive (7) Most workers are not from the region (9) View that governments should not be involved in business (3)	<b>Positive Political Issues (3)</b> Good corporate governance (12) Sharing the 'know-how' with the government (7) Improved public relations (2)
<b>ECONOMIC – 16 Issues</b> Instances - Total 331 – (29% of overall legitimacy issues)  (248 negative & 83 positive)	<b>Negative Economic Issues (12)</b> High profits and no reinvestment (111) Resource curse (33) Paying taxes not enough (31) Reputation of the diamond industry (25) Finiteness of diamonds (13) Govt's investment regime too lenient (12) Cost of mining (10) Not having a specific development fund (4) Not planning well enough to cope with the fluctuations on the international market (4) Diamond mining skewing development (3) Unfair competition (1) Disregards unprofitable operations even if people benefit (1)	<b>Positive Economic Issues (4)</b> Driving economic development (68) Investing in sustainable projects (10) De Beers' technical & marketing know-how (4) Training employees (1)
<b>SOCIAL - 7 Issues</b> Instances – Total 47 - (4%)  (17 negative & 30 positive)	<b>Negative Social Issues (5)</b> Mine closure (9) Diseases (3) Infringing on the rights of people (3) Putting strain on water & electricity (1) Mine fatalities (1)	<b>Positive Social Issues (2)</b> Responsiveness to social needs and Implementation of CSR projects (29) Having safety measures in place (1)
<b>ENVIRONMENTAL - 5 Issues</b> Instances Total – 36 – (3%)  (19 negative & 17 positive)	<b>Negative Environmental Issues (3)</b> Destructive nature of mining (12) Off-shore exploration issues (5) Not adhering to international standards (2)	<b>Positive Environmental Issues (2)</b> Environmental policies & rehabilitation projects (15) Cooperating with the government on environmental issues (2)
<b>LEGISLATIVE – 1 Issue</b> Instances Total – 17 - (2%) (17 negative)	<b>Negative Legislative Issues (1)</b> Laws in place but not necessarily implemented and applied (17)	

In a first instance, a closer look is taken at political issues. These issues are firstly introduced through my personal lens and experience. Secondly and thirdly, negative and

positive issues will be elaborated upon respectively by employing some of the quotes of stakeholders to illustrate more precisely what is meant by 'political' in the context of this research.

#### **5.2.1.1 Political Issues**

As stated above, political issues were found to be largely dominant at Namdeb. These are described as issues related to power relations, perceptions about the government and sometimes business and general governmental, business and citizen relations. Issues may also include facts and points of view related to company history and management choices made over the course of the company's existence. A total of 19 issues were counted - 16 negative and three positive. The total instances counted are 698 adding up to a noteworthy 62% of overall issues identified.

##### **5.2.1.1.1. Political issues through a personal lens**

Political issues play a strikingly important role in Namdeb's legitimacy. These issues account for the overall biggest category of issues and instances. However, apart from the issues identified during analysis of the interviews, one overall negative political influence on Namdeb's organisational legitimacy is indeed the general political climate in Namibia which is greatly influenced by the country's history of Apartheid and the events which lead up to independence in 1990. From a personal point of view, I remember 1989 especially well. I was 16, full of emotions, complexes and questions about my world, my identity and where I belonged. All that was on everyone's lips that year, even more than before, were talks of liberation and freedom from the hated South African Apartheid regime. After all the drama of several failed negotiations for independence from South Africa, the official Independence Day was finally to be 21 March 1990.

When former UN Commissioner, UN Special Representative Martti Ahtisaari arrived in Windhoek, the capital of Namibia in April 1989 to head the UN Transition Assistance Group's (UNTAG) mission, it was all over the news. UNTAG's presence augmented the number of soldiers on the streets during this time – except most of them wore blue helmets, the symbol of the UN's peacekeeping operations and not the khaki and green camouflage types of the South African soldiers and the Koevoets<sup>17</sup> respectively. They also spoke several languages, came from many different countries and I have recollections of many Namibian teenage girls falling head over heels in love with these strangers who came from far and distant places to keep them safe from the possible outright violence looming over the country. They were hailed as heroes who were there to help deliver Namibia from the ugly claws of Apartheid.

But the real overwhelming sentiment was the seemingly palpable, tangible and almost touchable excitement in the air. People were waiting for something major to happen and the majority, mostly the black Namibians were energised and outspoken in the face of existing adversity as the promise of a free and fair society was almost real. We only had to wait a few more months before South-West Africa (SWA) would become Namibia, a name which we have chosen for ourselves.

However, the presence of fear was also undeniable – I remember many white Namibians leaving the country or making plans to do so for fear of reprisal. The blacks, the 'kaffirs'<sup>18</sup> as they were called by the white Namibians, largely outnumbered them and they were

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<sup>17</sup> Koevoet (Afrikaans for crowbar), also known as "Operation K" is officially known as the South West Africa Police Counter-Insurgency Unit (SWAPOL-COIN). It was a police counter insurgency unit in South-West Africa (now Namibia) during the 1970s and 1980s. "Crowbar" was an allusion to their mission of prying insurgents from the local population. The unit was the most effective paramilitary unit deployed against SWAPO fighters during the Namibian War of Independence. It was particularly known for its indiscriminate brutality and use of torture during that conflict (Turner, 1997; Venter, Ellis and Wood, 1995).

<sup>18</sup> The Dictionary of South African English on Historical Principles (DSAE) explains that, 'kaffir' is a comprehensively abusive word used to denote Black people in South Africa (and Namibia), exemplary of the violent disavowal of Black people's humanity during apartheid (Silva, Muller and Wright, 1996)

angry – very angry. Plus, they felt they had nothing to lose anymore and that they now had the right to take back forcefully what they felt belonged to them. In the white neighbourhoods, barricades were put up and annoyed and accusing them's and they's and 'those people' were vehemently thrown back and forth on both black and white sides.

There were also really serious violent incidences taking place around this time. One severe episode occurred on 3 April when fighting broke out between the People's Liberation Army of Namibia (PLAN) fighters and SWAPO<sup>19</sup> supporters and three South African battalions. Three hundred of the PLAN fighters and the SWAPO supporters died while 27 South African soldiers lost their lives. On 28 of August, some SWA police officers and Koevoet soldiers shot at SWAPO supporters during political meetings and killed some of them aggravating the tension between black and white Namibians. This is the type of news we heard every day. There were also instances of people dying because of bomb explosions in Windhoek's (the capital city of Namibia) centre and violent incidents between black and white Namibians in smaller towns.

This violence was also very close and personal. I remember that one night in the hostel of the secondary school I attended, Concordia College which was built and sponsored by the then CDM, and today the De Beers Group, we were woken up by panicked teachers who told to us to get up and dress quickly. We looked through the window and saw a few armed soldiers solemnly patrolling the school grounds. No-one was able to tell us what was happening. We were really scared and stayed quietly in our rooms. In the morning the soldiers had vanished in the same unexpected and quiet way they appeared. Afterwards we were told that the soldiers were sent to protect us from the students of 'black' public

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<sup>19</sup> SWAPO is the main political party in Namibia today. SWAPO leadership and certain members are seen as the 'liberators' of the country. Guerrilla war-fare took place from the 1960s onwards till 1990 when the country finally became independent from South Africa which illegally occupied the country, in direct contravention of the UN.

schools<sup>20</sup> who were threatening to attack us and destroy the school as it belonged to CDM which was perceived to be exploiting Namibia and its people. However, no-one was sure about this and when I tried to find out more about this during later years, no-one seemed to know what the real circumstances at the time were.

And then Independence Day, 21 March 1990, eventually arrived. However, in independent Namibia not everything has changed for the better. After more than 20 years of independence, many inequalities still exist even though these are now less based on colour but more on class, tribe and political affiliation. It is telling that even though Namibia is not a poor country, with its diamonds, uranium and other minerals, beef and fish exports and tourism based on annual visits by tourists from all over the world, it has "horribly high" inequalities, with the poorest 20% of the population earning only 1.4% of national income, while the richest 20% enjoys nearly 80%<sup>21</sup>. Generally politics of patronage is at the order of the day (Hengari, 2007) and society is still politically fragmented.

According to a recent World Bank report titled "Ill-gotten Money and the Economy: Experiences from Malawi and Namibia" by Yikona, Geller, Hansen and Kadiri (2011), the influential role of one dominating political party is one of the root causes of present-day concerns of corruption in Namibia. Furthermore, privatisation has strengthened the relationship between the business class and the political elite. In view of this, today big companies, especially those directly affiliated to the Government, such as Namdeb, operate in a highly political environment where the interests of the different stakeholders are sometimes in conflict and some, such as the less powerful communities where the

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<sup>20</sup> The 1953 Bantu Education Act was one of apartheid's most offensively racist laws. It brought African education under control of the government and extended apartheid to black schools. Government funding of black schools became conditional on acceptance of a racially discriminatory curriculum administered by a new Department of Bantu Education. (Fuller, 1999).

<sup>21</sup> Statement made by Phil ya Nangolo, the director of Namrights, a national private, independent, non-profit making and non-partisan human rights monitoring and advocacy organisation (Faul, 2011).

company operates, and the non-SWAPO supporters feel that they are not treated fairly. Accusations of tribalism (Hengari 2007), nepotism in the allocation of important government positions (Cloete, 2009), the distribution of for example, land to family members (Smit, 2011), illegal land occupation (Sasman, 2011) and general favouritism are quite frequent topics in the media.

Furthermore, independent Namibian society is unfortunately also characterised by deep-rooted intolerance. For example, the Government and SWAPO supporters do not like to be criticised or questioned by anyone, but especially not by non-black Namibians. For instance, recently the white editor of one of the most popular newspapers, *The Namibian Sun*, was violently verbally attacked in a press conference by the Minister of Youth and Sports, Minister Kazenambo, for printing an article questioning the costs involved in the repatriation of human skulls from Germany<sup>22</sup>. In the said article, the editor revealed that the budget for the returning of the skulls was nearly doubled, from one million Namibian dollars to 1,7 million dollars. The minister is reported to have called the editor involved a "bloody Boer"<sup>23</sup> with a "Koevoet mentality" and threatened that "they (presumably black people) would put the Constitution aside if they (whites) scratched too far" (Nunuhe, 2011). The minister received some support for his propositions worrying the majority of Namibians. This example illustrates that often in Namibia, regardless of factual evidence, ministers and other people in positions of responsibility often play the race and colour card when they are criticised or questioned about serious and relevant issues.

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<sup>22</sup> Recently 20 skulls of murdered people from the Herero tribe were returned from Germany after more than 100 years. The skulls were used in scientific and medical experiments to prove superiority of the white race as explained by Yale University historian Benjamin Madley, in a dissertation titled "From Africa to Auschwitz". During German colonisation of Namibia, the Herero people numbered more than 85 000 and were the most powerful and richest with herds of tens of thousands of cattle roaming a third of the country when Germany began its colonial adventure here. In 1904, when the Herero rose up against the German colonisers, the slaughter began. Within three years, 85% were dead, their land and cattle stolen, some bodies beheaded. Historians say the genocide committed by German soldiers in what they called South West Africa was a precursor to the Nazi holocaust of the Jews (Faul, 2011).

<sup>23</sup> The term 'Boer' is originally a historical expression denoting the early Dutch colonists at the Cape, broadened to mean an Afrikaner, but with an emotive overtones, positive during the period of the struggle for survival against the British in the Boer War (1899–1902), but negative during the phase of Afrikaner political dominance after 1948. As the policy of apartheid was enforced, the derogatory use became particularly prominent among the Black population (Ross, 2008).

The event described above clearly indicate that Namibian society is unfortunately an intolerant society, especially since the person mentioned above is not the only SWAPO opponent or 'non-SWAPO' member who has been physically and, or verbally attacked by SWAPO party members. Indeed the SWAPO party is seen by many as the epitome of this prejudice which sadly permeates almost all levels of society. Perhaps this may be blamed on the culture of suspicion and intolerance which developed during the Apartheid era when one was either 'with' or 'against' others. A great controversy still exists today about the party's conduct during the liberation struggle against people who were considered spies. SWAPO denies all wrong doing and insists that everything that took place during this time was 'in the name of liberation'.

Most SWAPO members hail from the Owambo tribe which makes up approximately 60% of the Namibian population. This group of people predominantly lived in the north of the country in an area formerly known as Owamboland before independence. Today, people from the tribe live all over the country for various reasons including jobs and business opportunities. This is an important fact to mention, especially because Namibia has an employment rate of more than 50%. Right after independence it was around 35 % and in the late nineties it increased to round 40%. Today, in the supposedly free and fair Namibia not all Namibians feel that they are treated fairly. For example, non-SWAPO members feel that it is only the SWAPO party members who benefit from the few jobs and the many business opportunities in the country. For example, under the country's Black Economic Empowerment (BEE) policies<sup>24</sup>, it is the same politically well-connected SWAPO party members, government officials and their families who benefit from these policies.

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<sup>24</sup> BEE was introduced after independence to bring formerly disadvantaged Namibians economically on par with white Namibians who benefitted under Apartheid policies. However, the process as well as the policies are heavily contested as not all Namibians are included in the redistribution of opportunities and wealth in the country.

These issues mentioned above are discussed in combination with the issues identified through analysis in the next section in order to further illustrate the political environment in which Namdeb and De Beers operate. Firstly, a look is taken at negative political issues.

**5.2.1.1.2. Negative Political Issues**

As mentioned before, negative political issues account for the biggest overall category of identified issues and 97% of total political issues. A total of 16 issues were identified with 698 instances counted. The most important political issue ‘Governance issues related to the structure of the public-private joint venture’ (219) falls in this category. The negative issue mentioned the least in this category is the ‘view that governments should not be involved in business’ (3). In order to examine the 16 identified issues in a coherent manner, they are discussed under three distinct themes which are shown in Table 5.2.1. The first theme is De Beers’ exploitative history of Namibia under the Apartheid regime (1 issue); the second is general views about business in Namibia (4 issues); and the third theme is specific political issues related Namdeb (11 issues). However, throughout this explanation, it is of fundamental importance to keep in mind that all these issues are in fact intrinsically intertwined and therefore has a collective bearing on Namdeb’s organisational legitimacy.

**Table 5.2.1. Negative Political Themes and Issues**

3 Negative Political Themes	16 Negative Political Issues
De Beers’ History under Apartheid in Namibia and South Africa (1 issue)	Distrust from society (24)
Current Views about Business in Namibia (3 issues)	CSR is seen as public relations (34); reputation and power of multinationals (18); view that the Government should not engage in business (3)
Negative political issues directly related to Namdeb (11)	Governance issues related to the structure of the public private joint venture (219); transparency issues (85); corruption (75); accountability issues (44); not all stakeholders are included (40); ownership of diamonds (37); political interference (34); local communities do not benefit (29); internal staff issues (11); reputation of parastatals (8); Namdeb reactive instead of proactive (7); most workers not from region (9)



Following is the first theme which mainly provides background information on De Beers' history under Apartheid before independence in 1990.

### ***De Beers' exploitative history of Namibia and South Africa under Apartheid***

Indeed several issues identified are related to De Beer's exploitative history under Apartheid but some of these were deemed a more appropriate fit for the following discussion on 'economic issues'. In view of this, only one negative political identified issue is taken into consideration here. This is 'distrust from society' (24) which will be discussed in combination with other contextual issues such as some of the intricate and controversial issues related to the diamond mining industry which has been dominated by De Beers for decades.

Generally, with regards to a company such as De Beers, 'distrust from society' (24) plays an important role. For example, De Beers is more often than not, considered in negative terms as many Namibians exhibit resentment and bitterness towards the company. In order to better understand this deep antagonism, it is important to reflect more on Namibia's political history under the South African Apartheid regime before 1990.

Namibia, formerly known as South West Africa (SWA), was under the mandate of South Africa before independence in 1990, resulting in the application of South Africa's Apartheid laws which were discriminatory and racist to the Namibian population during the Apartheid era (1948-1993 in South Africa and 1948-1990 in Namibia). The history of Namibia passed through several distinct stages from colonisation in the nineteenth century to independence on 21 March 1990. From 1884, Namibia was a German colony and after the First World War, the League of Nations mandated South Africa to administer the

territory. After World War II the League of Nations was dissolved in 1946 and its successor, the United Nations (UN), instituted a trusteeship system to bring all the former German colonies in Africa under UN control. South Africa objected and continued to occupy the territory. Legal argument ensued for the next twenty years until 1966 when the UN decided to end the mandate, declaring that South Africa had no right to administer the territory. It was decided that 'South-West Africa' should be under the direct responsibility of the UN. However, South Africa yet again decided to ignore the UN decision. Meanwhile a resistance movement called the South West Africa Peoples' Organization (SWAPO) was formed by Namibians who were in strong opposition of the South African occupation of their country.

The fight over the territory continued and in 1971, the International Court of Justice upheld UN authority over Namibia, stressing the illegality of South Africa's occupation of the territory. The South Africans were obliged to withdraw its administration of Namibia but they resisted and sponsored the Turnhalle Constitutional Conference which sought an 'internal settlement' for Namibia. However, the freedom fighters of SWAPO were excluded. Even serious pressure from the Western Contact Group (WCG) including Canada, France, West Germany, the United Kingdom and the United States in 1977, did not manage to make South Africa withdraw from Namibia. However, in 1978 better progress was made when the WCG and the front-line states (Angola, Botswana, Mozambique, Tanzania, Zambia and Zimbabwe), SWAPO and UN officials managed to establish the 'settlement proposal' under the UN Security Council 435 for settling the Namibian problem. But still South Africa refused to budge. The real turning point only came when, in 1988, a US mediation team brought negotiators from Angola, Cuba and South Africa and observers from the Soviet Union together in London. A seven-month period of intense negotiations followed and Namibia eventually obtained independence in 1990 (Sources: Meredith, 2007 and Leys & Brown, 2001).

As can be seen, clearly, during this period, Namibians did not have a say in how their country was run and decisions were made which concerned them both directly and indirectly. For example, they were not allowed to have businesses and only South African companies, of which De Beers at the time, benefitted from the economic environment, including the country's natural resources. However, the details of the benefits De Beers were privy to under the apartheid regime are discussed in more detail in the next section which addresses economic issues.

In the aftermath of Apartheid, dislike and distrust in companies such as De Beers is still very much a part of the social and political landscape of Namibia and South Africa. In the context of De Beers' operations in Namibia, many people do not accept the company and refer to its long history of operating in Namibia and South Africa in a very negative way. Regarding this, the following respondent had this to say:

***"I just know generally that this company is not rooted in society ... in the Namibian society or the South African society. It is like a selected cartel ... because mining ... this company has been there since the Anglo-Boer war" [sighs and shakes head as to illustrate that he finds this unbelievable] (Industry and Business Related Organisations Representative, Respondent nr. 30).***

When the speaker talks about De Beers not being 'rooted in society' he means that generally people still do not accept the company into their midst. As mentioned previously, one of the main reasons for this kind of distrust and antagonism is the exploitative history of the company under Apartheid as today, after more than two decades of independence, many Namibians and South Africans cannot seem to forget the fact that De Beers benefitted financially under the South African apartheid regime through the exploitation of the local Africans and the environment. One only has to mention the name 'De Beers' and a stream of negative comments would follow. For example, an environmentalist

interviewed became quite emotional when he was asked a general question about De Beers' operations. He said:

*"I mean really, just because this whole diamond industry is so ... so artificial, I mean it's this huge wealth from these silly stones. I mean, I'm just really critical ... having been down there and seeing what happened historically where the workers were in tiny little hutches while these businessmen were reaping all the profits and were laughing all the way. They were having a great time just getting all the wealth for themselves and nothing, nothing, nothing came back to the workers at that stage and that is absolutely appalling. It's such a violation of human rights that stuff that I just got really angry when I was down there to think that that happened and the diamond mining is still based on the same kind of things, that you have labourers, that you have a better share of the profits but I mean in a way that's also just human society. There are people who run the show and there are people who don't and people who are just the workers so I think we should not harp too much on those things of the past. Those past things were absolute atrocities ... they were just absolutely bloody terrible"* (Environmental Organisation Representative, Respondent Nr. 17).

This person's point of view and feelings are reflected by other Namibians as well who consider that De Beers "was laughing all the way" while the company was exploiting people. He suggests that some of the exploitative actions still happen in the diamond industry. However, it is important to bear in mind the fact that business in general, all over the world, has a bad reputation and that this obviously also affects local perceptions of De Beers and Namdeb.

Some of the issues responsible for this negative connotation attached to business are further discussed under the following theme which explains some of Namibia's business environment in more detail.

### ***Views about the current business environment in Namibia***

The current Namibian business environment is more and more plagued by serious corruption which involves a great number of political elites (Yikona, Geller, Hansen & Kadiri, 2011; Melber, 2006). It also suffers from a lack of work skills, work ethic, crime, access to finance and public sector bureaucracy (!Gawaxab, 2010). In the specific case of the powerful De Beers operating in Namibia, many people express disdain and an

indignant opinion that injustice plays an important role in the company's local operations. This is in line with the view that sometimes big multinationals operating in developing countries employ irresponsible and unethical business practices (Hurst, 2004; Elfstrom, 1991), particularly those in the extractive industries such as BP (Mauer & Tinsley, 2010) and Shell (Neuffer, 2001). More often than not, these negative issues perpetuate general distrust of big multinational business both internationally and locally. In this study these issues are further elaborated upon in the next section and are contained in the 'reputation and power of multinationals' (18) category.

The other two issues under this theme are 'CSR is seen as public relations' (34), and 'view that the Government should not engage in business' (3). In the case of 'CSR is seen as public relations' (34), companies in Namibia, including De Beers are accused of pretending to be doing good while, in actual fact, they only engage in CSR to improve their image, improve their brand reputation and to stay in the good books of the Government. For example, the following respondent explained his opinion of CSR as it is practiced in the Namibian business context:

*"I have to say that I have a more cynical understanding of it (CSR) which is that it is for a lot of companies simply about their branding and they are conscious of their reputation and how they are perceived in the public arena and they want to be seen as doing something. So it is also about their public image and branding and they do certain things or limited amounts of things to promote their brand rather than genuinely making interventions that can actually assist communities"* (Academics and Research Institutions Representative, Respondent Nr.15).

It has also been called a 'photo opportunity' by the following speaker:

*"It is literally creating photo opportunities. That is all. It is not real CSR, unless they come and they spend 10% of their post-tax profits on corporate social responsibility. That is what I would consider as CSR or socially responsible corporates. But the % compared to their profits is just ridiculous"* (Academics and Research Institutions Representative, Respondent Nr. 12).

He also brings up the issue of the impact of the CSR projects in terms of monetary value as Namdeb seems to only engage in small community projects. (The issue of huge profits and small or no sustainable investment is discussed in the economic section to follow).

Another academic interviewed called CSR marketing:

***“No, it is marketing. Literally public relation opportunities that they pay for. That’s all ...”***  
(Academics and Research Institutions Representative, Respondent Nr. 12).

From the above statements it is clear that the respondents interviewed shared the same negative view of companies’ CSR programs and projects. Another angle to approach it from is to take into consideration the fact that companies are also accused of attempting to garner political favour from the Government by engaging in CSR. This is mentioned by the following person who said:

***“I wonder why ... is it just to say that I have contributed something to have my picture in the newspapers or to get some mileage from Government. I am not convinced. I think some of them are just doing this to get mileage in the eyes of government”*** (Academics and Research Institutions Representative, Respondent Nr. 13).

Yet another interviewee added that Namdeb and especially De Beers want to be in the ‘good books’ of the Government and therefore they engage in CSR projects in order to assure the renewal of mining licenses:

***“Oh yes, for them very much so [engaging in CSR] because it is double share-holding with government and De Beers and they would want to keep a good public image especially in view of the competition for mining licenses. And so to be in the good books of the general public helps them alongside having the government as shareholder to secure that. So I would think a company like De Beers would think really strategically about CSR and not refuse”*** (Academics and Research Institutions Representative, Respondent Nr. 11).

The last issue which is the ‘view that the Government should not engage in business’(3) is generally shared amongst Namibians as Government is often accused of incompetence and some government officials and people placed in high positions of corruption and other damaging actions. The general opinion is that the Government should rather concentrate on its role as facilitator and enabler of business. This point is further discussed and illustrated in the next theme, *Negative political issues directly related to Namdeb*, which includes points of view on the role of the Government and citizen expectations.

### ***Negative political issues directly related to Namdeb***

In this section, the most important issue identified in this research, 'issues related to the PPJV structure' (219), is embarked upon in three parts. Firstly, an explanation of why the Government decided to engage in a PPJV with De Beers is given. Secondly, the relationship between the two shareholders are analysed while taking into consideration issues such as 'corruption' (75). In a third instance, the debate about 'the ownership of diamonds' (37) is highlighted while looking at why, for example, 'not all stakeholders are included' (40).

Today Namibians benefit from diamond mining mainly through Namdeb's contribution of nearly 10% to state coffers in GDP payments (De Beers, 2011). However this was not always the case, as for example, at independence, in 1990, De Beers was the sole beneficiary of Namibian diamonds. To correct this, the newly elected Government of Namibia obviously had serious matters to take into consideration when it came to the negotiating table with De Beers around 1990. In a first instance and an understandable move, they wanted to optimally increase national income from diamond mining and other natural resources in order to develop the country's economy and people. However, the new government did not have most of the mining and even marketing expertise needed to play a role on the international market. In a second instance, they promised freedom, rights and equality to all Namibians in the brand new Namibian constitution. The Government therefore had to guarantee and plan for equal business opportunities for all Namibians while at the same time opening the country's economy for foreign direct investment. This was not an easy task for a new government which consisted mainly of liberation fighters who were not trusted by international investors. For example, a senior Government representative explained:

***“ ... The SWAPO Government was coming at a time when the investors were jittery about this communist government coming in from the north” (Government Diamond Industry Representative, Respondent Nr. 33).***

Therefore, regarding the mining of the country's diamonds in the best possible way, the Government had to make a choice between three possible outcomes – one, they could replace De Beers with another company as the argument is that De Beers obtained its mining rights under the apartheid laws which were abolished and were considered unjust; two, they could nationalise the mines or three, they could forge a strategic partnership with De Beers. As is obvious, the third choice, that of forging a strategic partnership with De Beers was finally considered to be the best option as De Beers was, and still is considered the most prominent international diamond mining expert internationally. Consequently, the general opinion was that the Government of Namibia could only benefit from a partnership with De Beers. For example, a government minister interviewed stressed the need for the Government to assure the expertise to be able to efficiently and effectively mine the country's diamonds, as well as to have a real presence on the international market. He is of the opinion that De Beers definitely fulfilled both these requirements:

***“Now, we must not forget that, De Beers, as a company ... the name De Beers commands up to 80% worldwide ... they command ... they deal in diamonds. It's a fact, it's not only in Namibia, and therefore, Namibia also benefits from that type of exposure in terms of the marketing but also in terms of the skills, how to deal in diamonds. As Namibia, we have benefited tremendously from them. So in terms of their role and their responsibilities, yes, we may not be happy at the level that they are playing their uh, uh corporate responsibility, but indeed they do play their part” (Government Minister, Respondent Nr. 29).***

The De Beers representative interviewed confirmed the above statements made by the Government representative:

***“It [ ... ] was set up like this so that government can have a material stake and interest in what is the country's most important company from a revenue generation point of view. It enabled the new independent Namibian government an opportunity to be involved in the affairs of this company ... Eh, and for government not just to be the beneficiary of the royalties and the taxes etc. but also to be involved to the point where they understand how the business is working, how it's doing, etc” (De Beers Representative, Respondent Nr.14).***

He further added that the relationship between the two shareholders is good and that the PPJV structure is an excellent model to be replicated, especially in the African context



where colonialism and Apartheid prevented people from playing a role in their own lives and that of their countries:

*"I think it is a ... well a relationship. I think we have a good relationship, an excellent relationship but I was just going to expand and say I think it's a model that I think can replicated in many things ... this concept of public/private sector partnership particularly in the African context where we come from a past and a history that people didn't decide their own destinations, you know. In other words, those colonial or apartheid ... I think this model that we have, I think it's the best model"* (De Beers Representative, Respondent Nr.14 ).

However, when talking about the company's governance structure and general issues pertaining to the relationship between De Beers and the Government of Namibia, many different and often conflicting accounts are given. For example, as one respondent from the private sector explained:

*"It is an interesting relationship. [ ... ] I liken it to a sort of seven year itch in a marriage, a marriage that was not quite working. [ ... ] So you know it's like government is the male partner looking around and eyeing out the other possibilities, looking at Lev Leviev Diamonds<sup>25</sup> and thinking, oh, she looks nice, maybe I should switch partners. Well that is the basic thrust of the story"* (Industry and Business Related Organisations Representative, Respondent Nr. 10).

The person making this statement is a well-known Namibian economist who has been an advisor to the Government on various economic policies, including the diamond mining industry. He has always been very outspoken about both political and economic issues in the country. In the above statements he alludes to the fact that maybe the Government did not really bargain a fair deal with De Beers at independence in 1990 and that it now somehow felt trapped in this PPJV relationship. This observation is further supported by the possibility that the Government did not have a choice but to accept De Beers as partner as it was the only company, and thus only option to consider at the time.

Furthermore, specific issues regarding the equality or rather inequality of the two shareholders are prominent and include concerns that Namdeb is not managing its shareholding properly because of incompetence and lack of skills of Government

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<sup>25</sup> Lev Leviev Diamonds is a diamond mining company in Namibia owned by Lev Liev, an Israeli businessman with close political ties with Namibia's Government (Hazleton, 2002).

representatives on the board and the fact that De Beers is too powerful a partner for the Government. As the same economist quoted above mentioned:

*"I think Government could do a better job managing its shareholding. You've got to remember that government puts in place people who know nothing about the diamond industry and they have to go up against De Beers people who spend their whole lives in the diamond industry"* (Industry and Business Related Organisations Representative, Respondent Nr. 10).

The speaker suggests that the fact that De Beers is more knowledgeable than the Government about the diamond mining industry, places the Government in a vulnerable position which leads to less powerful negotiations with De Beers. With regards to this, another respondent suggests that negotiations were flawed right from the start resulting in the Government being 'ripped off' while De Beers is continuously making sure that they are in the better position:

*"It is a non-renewable resource that they have been mining ... it is kind of a special relationship. There are special extenuating circumstances here that could have been addressed better if there was better cooperation between De Beers and the Government right from the onset. However, it was by its nature always been an adversarial relationship because the Government knew they were being ripped off and De Beers was watching its wickets, you know and was fending off whatever attack they could see coming at them because they are a formidable organization to deal with and I think they got the better of this government"* (Media Representative, Respondent nr. 21)

A representative from Namibia's most important human rights organisation also added to this viewpoint by stressing the 'power' of De Beers and the weak position in which the Government is perceived to be:

*"De Beers is a very powerful company ... actually more powerful than its other partner, the Government of Namibia. If you ask me now between De Beers ... because it is now called Namdeb ... yes, between Nam and Deb ... if you ask, who is more powerful ... is that 'Nam' or 'Deb'? ... then 'Deb' will be the answer. [ ... ] All I have to say is the relationship between Namibia and De Beers is that of the master and the slave ... the slave being Namibia and the master being De Beers"* (Civil Society and Civil Rights Organisations, Respondent Nr. 31).

And finally, yet another respondent who closely works with the Government on legal matters added:

*"From what I have seen ... for example with the issue of the Diamonds Act, the passing of the Diamonds Act, there was some real pressure on government ... and there were also some exemptions that were given to De Beers. I do not think that one can call it good but I feel that some pressure was exerted on the government to ... to give in to the demands of De Beers. So I do not think that it is an equal partnership to put it that way"* (Civil Society and Civil Rights Organisations, Respondent Nr. 7).

The above statement also refers to another very important aspect – that of the independence of the judiciary and the opinion of some Namibians that De Beers is so powerful that it directly influences the laws of the country. This is directly linked to the different ‘hats’ which the Government is wearing – for example, on the one hand, as a democratically elected government, it has the responsibility to take care of Namibia and Namibians by formulating, implementing and regulating laws and on the other hand it has a shareholder role in Namdeb which is linked to the maximisation of profits. As the De Beers representative him-self remarked:

***“[ ... ] the problem is not so much for the private sector partner. The problem comes for Government because Government sometimes has to wear two hats: one as the investor, business person and one as the regulator and sometimes those two things come in conflict and I think we’ve been going through a process of very interesting discussions with government over the last two years and that has come up quite strongly that there is often this conflict between the regulator and the business partner. But it is not insurmountable and I think if government just manages one at a time and make those separations clearly, it is do-able”*** (De Beers Representative, Respondent Nr. 14).

Furthermore, the economic power of De Beers and the dependence of governments where it operates are also important challenges. These points are pointed out in the following statement:

***“... because it is an international company and it has interests and resources that exceeds I am sure many developing economies, especially those economies where it operates and literally controls a resource that so many governments depend on for their income. And in that sense it has a lot of control over government. If you look at it in Namibia how much control they have over what should happen and what should not. And even in Angola. Internationally, they decide ... they can even create artificial shortages in certain types of diamonds if they want to increase the prices and so on. They have absolute control over one of the world’s most valuable resources. So in that sense they are one of the most powerful organisations that I am aware of”*** (Academics and Research Institutions Representative, Respondent Nr. 12).

This is considered a serious issue as normally governments are attributed more power than companies. Governments lose credibility in the eyes of citizens if it is suspected that they are overpowered by any other entity, especially a multinational company. In the case of Namdeb, some stakeholders are of the opinion that the Government is being overpowered by De Beers and that it does not do enough to protect the interests of the Namibian people.

For example, the next respondent refers to the Government as ‘a silent partner’ who accepts all of De Beers’ decisions without questioning them:

*“Government seems to be, from what I picked up from the unions, the kind of silent partner in the partnership so the unions get the impression that the Government is happy to get the taxes and some of the shareholders’ earnings and therefore basically lets De Beers make all operational decisions. I think it is a questionable arrangement because it means that the social benefits of diamonds mining in Namibia are going to be limited. De Beers, obviously, like any private company have their own agenda and interests and for a government to get more out of it, it means that they should play a more decisive role but for that they need more capacity ... have government representatives that can shape it stronger. But does government even want to do that or are they just happy to be shareholders?”* (Academics and Research Institutions, Respondent Nr. 11).

This is clearly a political issue which puts into dispute the Government’s reputation as both democratically elected leader of the country and equal shareholder of Namdeb which mines the country’s diamonds which is considered a strategic resource as explained above. This negative opinion of the Government and ultimately De Beers indicates the weak faith some stakeholders have in the Government as Namdeb is described as a ‘questionable arrangement’ which does not guarantee that Namibians are sharing the wealth generated through the diamond mining industry. Indeed some stakeholders are of the opinion that the Government does not do enough to ensure that Namibians benefit from their diamonds in the most fair and just way. This point in fact raises questions about the Government’s ability to negotiate the best deals for the Namibian people and to simultaneously govern in a just and fair manner. (This point is further elaborated upon in connection with ‘ownership of diamonds’ (37), ‘local communities do not benefit’(29) and ‘most workers are from the region’(9) later in this section).

Clearly problems related to the relationship between De Beers and Namdeb as well as issues of conflict of interest exist. In this difficult situation, it is not easy to ‘switch partners’ if the Government wished to do so and Namibians can only speculate about the contract between the two partners as it is not a public document. A representative of the

Namibian Mineworkers Union who has reliable inside information and years of experience working with the Government, Namdeb and De Beers confirmed this:

***“No, no [the agreement between De Beers and the Government] is not open to the public. Even us from the union, we tried to get a copy of it, we have been promised even by my friend the current Minister of Mines and Energy. He promised me that I will get a copy, up to now. It’s impossible. [ ... ] just imagine!”*** [The speaker is very agitated and moves about his chair while clutching his hands together. He finally takes out his handkerchief from his jacket and wipes the sweat from his forehead]. (NGO and Civil Respondent, nr. 24)

The same respondent continued to explain that the agreement contains a clause that allows De Beers to end the partnership with the Namibian Government if it wanted to, but that the Government could not do the same:

***“Yes. De Beers [Namdeb] is currently a hundred years old in Namibia and their agreement with our government can still go to 2025 and again it provides ... if Namdeb so wish, they may decide to terminate the agreement, but it doesn’t give the power to our Government, for if our government so wish, they do not have the power to terminate the contract”*** (Civil Society and Civil Rights Organisations, Respondent Nr. 24).

Consequently, as seen from the above statements, a serious concern about the equality of the relationship between the two shareholders, De Beers and the Government of Namibia, arises, especially from two different camps. Firstly, some academics and industry and NGO representatives are of the opinion that De Beers is more powerful than the Government while, secondly, others such as the Government representatives and some industry and business representatives dispute this. For example, some stakeholders are of the opinion that the Government is indeed a strong partner. For example, the following respondent explains that without the influence and power of the Government, De Beers would not have made certain concessions such as the setting up of a diamond cutting factory in the country:

***“I would say that Government has significant influence. I mean De Beers ... Namdeb can’t do anything if Government is opposed to it and Government has pushed it in certain directions for example to set up NamGem<sup>26</sup>. That was Government. De Beers would never have done that. You can argue if it is a good or a bad thing but De Beers would never have gone ahead with it if Government hadn’t pushed them into it and you know the whole NDT<sup>27</sup> thing, cutting and***

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<sup>26</sup> NamGem is a diamond polishing company wholly owned by Namdeb. The company is especially important in the context of employment creation in the country, as before, all of the polishing took place in other parts of the world such as India (Heita, 2010).

<sup>27</sup> In January 2007, the Government and De Beers signed a new sorting, valuing and marketing agreement. The agreement included the formation of Namibia Diamond Trading Company (NDTC), a 50:50 joint venture between the Government of Namibia and De Beers,

This is a significant observation because De Beers has never before 2005 engaged in such endeavours which brings more economic and social benefits to Namibia. This falls under De Beers' 'beneficiation strategy' (discussed in more detail under 'economic issues') which ultimately means that it shares its profits further down the diamond pipe-line. Before, all the diamonds were taken out of the country with no value added in the country. In fact Namibians would only benefit from the raw product sold internationally.

One explanation for this confusion or different points of view regarding the Government and De Beers' relationship is that not much information about the governance structure and decision-making in general at Namdeb is available to the public, as was for example mentioned before regarding the agreement between De Beers and the Government. This leads to 'transparency issues' (85), 'corruption' (75) and 'accountability issues' (44) which are often interrelated. One stakeholder said that:

*"If Government is [ ... ] just providing the diamonds or the goods, and the rest of the company can disclose what they want to disclose, who is knowing what is going on? And the public in the end, any information that they get can be so totally distorted and out of the picture that they just get the positive things and not the negative things. So it makes a mockery of the whole system" [Respondent pulls a funny face and leans towards interviewer as though to stress how serious and absurd the issue is] (Academics and Research Organisations Representative, Respondent Nr. 5).*

The same respondent continues to explain that when there is a lack of transparency and accountability, the strong possibility that corruption may occur exists. In actual fact, in the end it is unclear whose interests are served:

*"... it is a conflict of interest (Namdeb) ... it creates a conflict of interest, it creates a problem of transparency. It creates a problem of corruption in itself because who are you serving when and when are you serving who? And in whose interest? It becomes very difficult to explain if you have different roles and you are not accountable and transparent" (Academics and Research Organisations Representative, Respondent Nr. 5).*

The above statement also further highlights the fact that when accountability and transparency is lacking, people may become suspicious of the dealings of the company. As a result, many stakeholders accused both Namdeb and De Beers of not being transparent enough. In their view, concerns about 'transparency issues' (85) are serious at Namdeb.

One respondent stated that:

***"... transparency is not part of the culture. It is more like 'this is between me and you'"*** (Media Representative, Respondent Nr. 20)

This speaker highlights the secrecy which is said to be dominant at Namdeb. This is confirmed by another respondent who said that:

***"I mean their whole operation is based on secrecy, so they can't be transparent"*** (Environmental Organisations Representative, Respondent Nr. 17).

So the fact that Namdeb is partly owned by the Government should play an important role to enhance accountability and transparency. In fact, one respondent is of the opinion that Namdeb does pay attention to this aspect because it produces an annual report even though it is not legally required to do so because of its PTY Limited<sup>28</sup> status:

***"But for the rest, everything is in the annual report. Remember, they don't need to ... because they are PTY Limited ... they don't need to publish ... their annual report is not necessarily a public document. By choice of their Board of Directors they make it a public document. Why? Because the government is a public entity ... is a partner there"*** Media Representative, Respondent Nr. 21).

This point is debatable though as Namdeb's annual report is described as not being an efficient and thorough document as only the positive CSR types of issues are reported and not the real serious issues which include more transparency and accountability issues which people are concerned about. However, managing director of Namdeb insisted that having the 50/50 joint venture in place forces the company to be more accountable:

***"Yes, I think we are more accountable, we are more publicly accountable than otherwise if we were privately owned. Some of the things we do is because of the recognition that 50% of our***

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<sup>28</sup> Proprietary Limited (Pty Ltd) companies are limited by shares and shareholders are afforded more protection when it comes to the level of liability that they face for company debts. The greater restrictions on Pty Ltd companies financial structures is to offset the high level of control (and thus personal profit) coupled with their limited personal exposure to their company's failures. The regulations prevent the owners of Pty Ltd companies from exploiting their limited personal liability through irresponsible business practices (Business Link, 2011).

***shares are public owned and therefore we owe it to the public***” (Inge-Zaamwani-Kamwi, CEO of Namdeb, Respondent Nr.2).

Regarding this statement from Namdeb’s CEO, many people would not agree that Namdeb’s structure makes it more accountable. In actual fact, as seen in previous examples, some are of the opinion that Namdeb is not accountable and transparent at all. Indeed, the fact that the Government is involved does not guarantee more accountability and transparency as it is observed that a lack of accountability and transparency is a general problem in both the Namibian public and private sectors. This is illustrated, for example, by looking at how mining licences are allocated. The same interviewee quoted above said:

***“I am a bit concerned about the way that licenses for both exploration and other mining activities in the extraction of natural resources are decided upon and allocated. These license allocation systems are not very transparent or open so it is difficult to know if it is happening in a kind of way where elements of corruption are absent. So for me it is not open and transparent enough in the way we allocate licenses to either local or international companies to extract natural resources or to explore”*** (Academics and Research Institutions Representative, Respondent Nr. 15).

In a similar vein, with regards to transparency especially, many respondents brought up the fact that they did not know how Namdeb was managed and how much environmental damage was caused by Namdeb, for example. It is therefore suggested that both Namdeb and De Beers be more transparent by involving their stakeholders and by making more of their decisions and operations public. For example, Namibians should be able to see for themselves what the prohibited diamond areas look like, especially after the company promised that they rehabilitated the affected spots. An academic stakeholder had this to say:

***“Communities should be involved. They should be able to outline ‘what actually do we want, what can we expect from these large corporates’. The communities that live in areas around Swakopmund, Oranjemund and Luderitz and so on, what do they expect. Nobody actually asks these communities. They are the ones that have to give up the rights to their land and they have to provide labour, they have to provide this and that and what do they expect in return. So I think that in Namibia the key thing is that we try to determine what do our people actually want and expect from large corporations, what do they expect from the government. Government has never looked at that”*** (Academic and Research Institutions Representative, Respondent Nr. 12).



In the specific case of 'corruption' (75) which is largely influenced by accountability and transparency issues, several detailed examples were mentioned. For instance, one correspondent mentioned the fact that multinationals such as De Beers and certain key individuals involved are known to engage in corrupt acts. He stated that:

*"People like Templesman<sup>29</sup> and Lev Leviev<sup>30</sup> with the Israeli Government act like mafias. They are highly dubious characters. All of them operate on the basis of getting political buy-in and using that to get licenses and concessions etc. And the line to outright corruption is very thin. In my view it is institutionalized corruption ... but all of them do it. Multinationals come to some countries and they make deals with some politicians. They look at who are the decision-makers and they try to get their favourable attention. And for me the main culprits are the multinational because they set in motion a system of global corruption"* (Academic and Research Institution Representative, Respondent Nr.11).

The individual speaking, a prominent academic and former head of the most important labour research institution in Namibia, basically accuses multinationals and even governments, in this case both the Israeli and Namibian governments of corruption. However, he also repeatedly condemns the role of multinationals which he accuses of setting "in motion a system of global corruption". De Beers has often been accused of corruption in the past and even in the present partly because of its close ties to the Government of Namibia. Some, not all, government officials and other high profile Namibians are said to have benefitted and still benefit from the partnership between De Beers and the Government. The notion that De Beers and the Government both potentially engage in acts which may be considered as corrupt greatly influences the overall legitimacy of Namdeb.

As stated before, this type of issue just increases 'distrust from society' (24). For example, the representative of the Mineworkers Union stated that:

*"You know, many investors when they come here, they come here with a simple intention, is to make profit and to take home this profit in big bulks. Therefore, in every investment, investors are*

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<sup>29</sup> Templesman is considered a highly controversial figure in the diamond mining industry by not only Namibians but also internationally. He has strong ties with De Beers. For example, he was accused by the Human Rights Organisation of Namibia by engaging in corrupt dealings with some Namibian leaders in order to obtain mining rights for himself and De Beers (Roberts, 1996; National Society for Human Rights, 2007).

<sup>30</sup> Lev Leviev owns diamond mines in Russia and Africa, and is a major competitor to De Beers (Roberts, 1996; Stein, 2001).

*not playing a very good game. They may pretend to play to the rules of the game but right underneath they have their own interest to overcome”* (Civil Society and Civil Rights Organisations, Respondent Nr. 24).

Thus, to most Namibians big companies do not care about the people and the country where they operate and therefore do not hesitate to engage in unethical behaviour. However, they do not trust in the capability of the Government to deal in businesses practices either. For example, one responded said:

*“I don’t like it where government gets directly involved in business. I don’t think that’s the way governments work ... I would see it more as facilitating”* (Environmental Organisation Representative, Respondent Nr. 17).

This is a widely-held opinion as the Government is seen as losing millions every year on, for example, the bailing out of parastatal companies<sup>31</sup>. This is a factor which influences Namdeb’s legitimacy directly as ‘the reputation of parastatals’ (8) influences stakeholders’ perception of Namdeb. This observation is unfortunate as Namibian parastatals have a very bad reputation because the majority are run at a loss and continuously and regularly have to be bailed out by the Government (Amupadhi, 2004). However, they continue to exist because the Government has a policy of controlling all the state-owned assets which include natural resources and the national airline, Air Namibia. However, tax payers are exasperated by the corruption and incompetence which prevail as can be seen in the following statement:

*“I do not think that we as a public, the general public, we know enough of what Namdeb is doing ... and any other parastatals in that sense. We do not hear anything. We only hear of some of the losses that some of them make. Namdeb does not make losses but most of the other parastatals, we hear about the losses. We do not always know how or why those losses occurred and why government is actually bailing them out”* (Academics and Research Institutions, Respondent Nr. 12).

The fact that the Government is a shareholder in Namdeb is the number one cause for the labelling of the company as a parastatal. The Government’s involvement in the company is often seen controversial and conflictual. Hence the remark of the following respondent:

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<sup>31</sup> In the Namibian context, as elsewhere, a parastatal is described as a company owned or controlled wholly or partly by the Government (Tangri, 1999).

*“If Government has some role, what should it be? Hence the current debate about how parastatals such as Namdeb are handled because Namdeb is in a way a parastatal or a state-owned enterprise” (Academics and Research Institutions, Respondent Nr. 15).*

This controversial issue of the Government spending big amounts of money on companies which are nothing more than a financial burden to the tax-payer is obviously linked to the question of how the Government spends money and who benefits and who not. This point is directly related to the next point about the ‘ownership of diamonds’ (37) which is clearly a political issue which illustrates the issue of who benefits and who doesn’t benefit in Namibian society from the country’s riches including the natural resources. However, the issue of ownership is never openly debated and one respondent asked several questions about the issue instead of clarifying the issue:

*“... the issue of diamonds is contentious because the diamonds belongs to whom? Does it belong to the community, to the tax payer, to the Government ... who is representing the taxpayer? Whose property is it?” (Industry and Business Related Organisations Representative, Respondent Nr. 28).*

Finally, two distinct opinions about ownership were identified. The first was that diamonds belong to all the citizens of the country. For example, a government minister had the following to say:

*“... diamonds are a Namibian resource, the South is part of Namibia, and therefore the needs of the South have not been ignored. There are good roads, there are schools, uh its providing also employment. We, we cannot afford while we say we must build one Namibia that we say: ‘now, this resource is from this region, and therefore it must exclusively benefit from it’. It cannot be ... because we are not running a federal government, this is a unitary state. In other words, we take the resources and we look at the overall picture of the country. [ ... ] We look at one Namibia as one constituency and we develop with the resources that we get from all parts of Namibia, being it fishing, diamond, uh uranium, uh from agriculture, and all these other things. So, uh I want you to have an open minded picture that these resources .....(Government Representative, Respondent Nr. 29).*

However, the opposing point of view is that diamonds are not in the hands of Namibians but in those of the multinationals, presumed to include De Beers. As a high profile respondent from the Bank of Namibia stated:

*“There are specific policies, but the natural resources are very much in the hands of multi-national companies”* (Industry and Business Related Organisations Representative, Respondent Nr. 28).

This is not only an interesting observation, but in fact also a serious allegation as it is stated that Namibians and the Namibian Government do not optimally benefit from the natural resources in the country. The fact that this assertion is made by a senior manager from the financial sector makes it all the more clear that Namibia’s natural resources industry could be run much better than what it is at the moment.

The same serious accusation is made by another speaker who stated that:

*“ And in general, apart from just the Namdeb case, if you also look at smaller diamond mines, they are mostly owned by foreign companies. I don't think that the government has put proper policies in place to make sure that the Namibians, and I'm not talking about the few chosen people who get access to every new deal that is available. I always joke about it and say that they are only 100 people who were previously the advantage if you look at the BEE strategy. It is the same 100 people that benefit every time. It is the same thing in the diamond industry. It is a few people that have access and the general population does not get any benefit out of it”* (Academics and Research Institutions Representative, Respondent Nr. 12).

Both respondents refer to the policies in place but reiterate that these do not guarantee that Namibians benefit from the country’s natural resources. This is obviously directly linked to the issue of ownership of natural resources which, according to Meinzen-Dick, Knox, Place, Swallow (2004), usually means that governments claim ownership of natural resources on behalf of society at large or the nation. In view of this, one has to consider property rights in order to better understand the relationship between the government, citizens and government’s business partner in this specific context. Bromley (1999) defines property rights as the ability and capacity to call upon the collective to stand behind one’s claim to a benefit stream. Property rights therefore involve a relationship between the right holder, others, and an institution to back up the claim. Property rights over land and other natural resources are often broadly categorised as public (held by the state), common (held

by a community or group of users) and private (held by individuals or 'legal individuals' such as companies) (Meinzen-Dick *et al*, 2004).

In the case of Namibia, the Minerals Policy of Namibia (2003) acknowledges that the Government, through the Ministry of Mines and Energy, is the 'custodian' of the people and that minerals and energy sources are used for the development of all Namibians: "The Ministry of Mines and Energy (MME), as the custodian of Namibia's rich endowment of mineral and energy resources, facilitates and regulates the responsible development and sustainable utilisation of these resources for the benefit of all Namibians" (pg.5).

For example, in 1995, five years after independence, the Namibian Government launched its first National Development Plan (NDP1). The NDP1 replaced the Transitional National Development Plan, which had focused on consolidating democracy. The main achievement of the transitional plan was that it had put in place the basic organs of the Government. The NDP1 built on these achievements over the period 1995-1996 to 1999-2000 and mainly put in place an enabling environment for strong private sector participation in the economy.

The second National Development Plan (NDP2) was being implemented over five years (from 2000/01 to 2005/06), and is geared to achieve the medium-term objectives of the longer-term development perspective (Vision 2030) for Namibia. The NDP2 retains the NDP1 objectives, but has additional objectives that take into account the prevailing situation in the country. The NDP2 goals are to reduce poverty, create employment, promote economic empowerment, stimulate and sustain economic growth, reduce inequalities in income distribution, reduce regional development inequalities, promote gender equality and equity; and increase environmental and ecological sustainability. The

mining industry is expected to play an essential role in achieving these national objectives as projected in the NDP2 (The Minerals Policy of Namibia, 2003).

However, does the above not mean that it is all the more reason for Namdeb and De Beers to acknowledge all stakeholders and to avoid being accused of the fact that ‘not all stakeholders are included’ (40)? Currently the perception is held that Namdeb does not consider all its stakeholders equally and sometimes not at all. For example, it is said to pay more attention to the Government as stakeholder than to the communities in the region where it operates. The main reason is of course the fact that the Government is also its equal shareholder. This is clearly both strategic and political. As the following respondent explains:

*“Stakeholders is a funny word ... it is not a word I use myself. I mean their stakeholders at the end of the day are De Beers and the Government because they are the two power brokers if you like. You have the 50/50 deal so in reality it is those two. I mean I suppose what that means is that there should be some involvement and consultation with the local communities where they are operating their mines and whatever activities related to that. But the reality is that it is just the shareholders”* (Academic and Research Institutions Representative, Respondent Nr. 12).

The person speaking clearly points out that in his opinion, the only two important entities to Namdeb are De Beers and the Government which are both its shareholders and its stakeholders. The expectations of these two parties are thus always taken into consideration and an exchange based on a more or less shared advantage takes place.

However, another point of view, that of the De Beers representative, is that even though the Government is considered one of the most important stakeholders, Namibia as a whole is indeed also considered a major stakeholder.

*“Well, eh, De Beers’ stakeholders ... We must be careful here. If you ask me who are De Beers’ stakeholders I would say in the first instance the Government with whom we are in partnership with and Namibia as a country at large, the people of Namibia. If you ask me that question from a Namdeb point of view, I would say the employees in the first instance, the community of Oranjemund where most of our operations are located and then Government and government agencies in the broader sense”* (De Beers Representative, Respondent Nr. 10).

This statement is in accordance with the above statement that the Government is above all the most important stakeholder of De Beers specifically and that the stakeholders of Namdeb are identified as firstly its employees, the Oranjemund Community and the Government and government agencies, in that order. However, upon further interrogation about the wider community, for example the Karas region where Namdeb's mining is taking place, the De Beers representative added that:

*“ ... We do have responsibility to our community in the sense that we ... we are there to make money, but we will be there in a way to make money that the community also massively benefits from it. And in the community, for me, in Namibian context, is Namibia as a country. I don't look at the community as Oranjemund per say, or Keetmanshoop or the south or Karas. In the way that our constitution is, it is a national Government and we have obligations to the state. I believe that we are hugely responsible to the community and to Namibia as a country”* (De Beers Representative, Respondent Nr. 10).

This point is important to discuss as the accusation that 'local communities do not benefit' (29) was brought up by a number of respondents. From the above it is understood that De Beers acknowledges that they do not consider the Karas Community a direct stakeholder and yet, as mentioned before, the Government, De Beers' partner has the role of custodian of these natural resources. Part of its role is that it is expected to distribute the wealth generated by mining equally and equitably amongst Namibians. However, stakeholders such as the Karas community are of the opinion that only certain stakeholders and stakeholder groups benefit from the exploitation of diamonds. This perception is for example supported by the fact that the wider Karas region where mining takes place is classified as one of Namibia's poorest regions where the least development has taken place since independence (Cloete, 2008). For example one respondent had this to say:

*“I think they will find that people have very realistic expectations from corporates. Now in the South you hear people getting up and say yes, we want access to this and that. We want more, we want to share more in that wealth and people look at it as if it is an unrealistic expectation but for me it is very realistic. They are saying, yes why is it that we are not sharing in this cake? For me it is very realistic, not just in the South. Everywhere in Namibia ... Why is it that all this wealth is out there? Millionaires are created and you still have the largest part of society living in absolute poverty ”* (Academic and Research Institution Representative, Respondent Nr.11).

However, De Beers say that they pay taxes to the State which in turn should benefit all Namibians, including the inhabitants of the Karas region. The company includes the Karas Community as part of the country of Namibia. This is problematic politically as some people of the region, especially the dominant Nama tribe<sup>32</sup> say that they are completely excluded from economic ventures including partnerships with companies such as De Beers and Namdeb. For example, recently, a group representing the Nama tribe in the south is threatening to sue Namdeb for compensation for huge revenues from the *Sperrgebiet* (prohibited area as explained before) of south-western Namibia over the past century. The chairman of Democratic Action for Namaland (DAN), veteran politician and journalist Emil Appolus, is demanding royalties, based on De Beers' take-over of the land in 1918 (Nevin, 2003). Appolus says he wants to find a solution for "the desperately poor situation of these people, who are living on such rich land. They must fund these people for their loss of ownership and the income from their resources" (Nevin, 2003). De Beers says the claim comes as no surprise and is discussing a way forward with Namdeb. The Government, says Appolus, has failed to help the poverty-stricken Nama and located them out of state-backed joint ventures with foreign companies in diamonds, fisheries and grape cultivation (Africa Confidential, 2003; Nevin 2003).

This request comes after a fierce, sustained and hugely expensive legal battle against the South African government was finally won in October 2003 by the original owners of the fabulously diamond-wealthy Richtersveld territory, the Nama people of the KhoiSan nation (Nevin, 2003). The South African Government was ordered by the Constitutional Court to hand back the land to the Nama people. This concerns the Nama people of Namibia because the diamond rich area of south western Africa is divided by the Orange

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<sup>32</sup> The entire south of Namibia is inhabited by the Nama people. They are related to the Khoikhoi and came from the Cape where white settlers displaced them in their scramble for land. They number approximately 80 000. They farm mainly with sheep and goats (Chigovera, 2008).



River, the region's biggest natural waterway. The river is also the means by which millions of gems were collected from South Africa's diamond fields to the west and carried to the sea. Periodically bursting its banks after torrential rainstorms, it deposited diamonds along its route, more particularly on the shore at its mouth and in the sea (Nevin, 2003). Richtersveld, home of South Africa's Nama people, is situated to the south of the Orange River, while over the river is Namibia's Oranjemund (Orange Mouth) region, where Namibia's Nama people live. Described as the mirror image of Richtersveld, the region is also wealthy in gem quality diamonds, both on the surface river banks and beaches and beneath the waves of the turbulent Atlantic Ocean (Nevin, 2003). In fact, Namibia's submarine terraces are more thickly stocked with diamonds than South Africa's, because more of them are swept northwards by the powerful Benguela current. So it was just a matter of time before the Namibian Nama emulated their southern kinsmen and staked a claim for their ancestral areas as well (Nevin, 2003).

Furthermore, the above concern about some Namibian people not benefitting from the riches of their territory is supported by the fact Namibian society is unfortunately considered to be based on strong pillars of tribalism as mentioned before (Hengari, 2007; Melber, 2006). For example, directly related to the above, is the concern that 'most of Namdeb's workers are not from the region' (9). As one respondent who grew up in the South of Namibia and whose family still resides there remarked:

*"If you go to the south of Namibia ... it is the poorest region, the poorest. Yet, they are living around the biggest natural resources in Namibia. I mean absolute poverty. So how long do you expect people to sit and look at it without doing something about it. So I do not think that De Beers engages with the community enough because they don't... I do not think that they had any relationship with the community, not at all. They do not even employ people from that region. Most of the employees come from other parts of Namibia. They do not have any program to make sure that the community around them get some kind of benefit out of it"* (Respondent Academic and Research Institutions Representative, Respondent Nr. 12).

Another person who worked in the Karas region specifically with socio-economic and political issues also remarked that the Nama people from the region are not employed by Namdeb:

*“But I mean also because conventionally, the workforce for those mines was drawn from around Owamboland, Kavango and Caprivi. So it is almost a historic thing that continues now rather than the workforce being drawn from Keetmanshoop and Maltahohe ... I have worked in social development before and I know there are many problems in the South. And there is a lot of resentment that people from the North get the jobs rather than locals”* (Environmental Organisation Representative, Respondent Nr. 17).

He also refers to the fact that traditionally most of the workforce of De Beers before independence hail from the North of the country. (Reasons for this are elaborated upon in the next section). He is of the opinion that the Nama people feel that injustice continues even in independent Namibia as this issue was never corrected or even addressed by the new Namibian Government. Instead, the Government as equal partner of De Beers continues with the same unfair practice.

The governor of the Karas region in 2006, Dawid Boois, confirmed this accusation of Namdeb not employing people from the region in a press statement wherein he shared results of an official study conducted on the appointment of individuals in the employment sector in the region. He said, amongst other things that senior positions in the mining sector were occupied mainly by foreigners and that Nama-speaking people were overlooked as only Oshivambo-speaking people<sup>33</sup> secured jobs. As a consequence, it is argued that the Karas region, and particularly Namdeb, is used by the Government as a source of jobs for members of SWAPO who are also the majority of its voters and who mostly hail from the north of the country. This is an important point because it is observed that Namdeb employ individuals from this region to satisfy the wishes of the Government

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<sup>33</sup> The Wambo Tribe constitutes the largest cultural group in Namibia and they mostly support the current SWAPO-lead Government.

as jobs are scarce resulting in an unemployment rate of more than 50%. It is argued that Namdeb is clearly ignoring the expectations of an important stakeholder and that this is very easy as it is clearly supported by the Government, its partner.

This ignoring of stakeholders and the unfair distribution of the wealth discussed above can be attributed to the fact that Namdeb, De Beers and the Government each have their own stakes to protect and ordinary citizens often do not have the power and influence to pressure these strong entities into changing some of their unfair and in some cases, outright unethical and irresponsible behaviour. This clearly affects the legitimacy of Namdeb even though it is not directly responsible for the inequality in Namibian society. However, the mere fact that De Beers is seen as benefiting from diamonds more than most Namibians cause serious damage to both its own and Namdeb's legitimacy.

This leads us to the other side of the coin, the few positive political issues which were identified.

#### **5.2.1.1.3. Positive Political Issues**

Only three positive political issues were identified. These are 'good corporate governance' (12), 'sharing the know-how with the Government' (7) and 'improved public relations' (2). These issues account for 3 % of total political issues with a total of 21 instances counted.

In the case of 'good corporate governance' (12), a few people said that Namdeb had good structures in place to ensure that the company was managed properly. The De Beers representative pointed out a number of technical measures:

*"But there are lots of structures in place to ensure corporate governance. First of all there's the board and the board has a sub-committee of the audit committee which is really important in setting the governance structures of the company. Then of course like any other company is required by law, we are audited both internally and externally and the board also has a*

***management committee which comprises both GRN (government) and De Beers representatives which sets the tone for the board, in other words they review things before they get to the board.”***  
(De Beers Representative, Respondent Nr. 14)

However, the fact that measures are in place does not always guarantee best practice and good corporate governance as can be seen from the afore-mentioned examples. Nevertheless, it is an important positive political issue which deserves mentioning. In fact it can be argued that the stakeholders mentioning ‘good corporate governance’ (12) automatically link it to Namdeb’s economic success.

In the case of the last two issues, ‘sharing the know-how with the Government’ (7) and ‘improved public relations’ (2), Namdeb and De Beers are seen as engaging in actions which positively influence the Namibian socio-political environment as well as the relationship with the Government. For example, in the case of the former, ‘sharing the know-how with the Government’ (7), the CEO of Namdeb explained that it was important for De Beers to share its know-how with the Government as this enabled it to understand the diamond industry in general in more detail. She said:

***“Well, at independence government recognised that diamonds are a very important resource of the country which must be shared and the only way they could participate fully in the sharing of the wealth that is generated is by being partners because is not only sharing in the wealth, in the revenue they collect but they actually get to have an insight on how to run the business, how the resources are generated, the extent of the availability and the probabilities and so that has enabled them to have a greater insight as a shareholder...”*** (CEO of Namdeb, Inge Zaamwani-Kamwi, Respondent Nr. 2).

In terms of technical know-how specifically, the De Beers representative echoed the above statement of Namdeb’s CEO by alluding to the fact that De Beers shares its know-how with the Government as it does not have this precise expertise. He stated that:

***“ ... the inputs are fairly well split but naturally government by its nature is a government - De Beers is a private company with over a 100 years of mining experience in business so it is inevitable that it will bring bit more to the partnership in terms of technical mining expertise. Yes”*** (De Beers Representative, Respondent Nr. 14)

However, some are of the opinion that De Beers is only 'sharing its know-how with the Government' (7) because it wants to protect its good relations in order to secure its mining licences. For example, a senior labour union representative puts stress on the fact that at the time of negotiations with the Government after independence, De Beers faced possible competition from other diamond mining companies. To negotiate on its behalf in private with the Government, it sent Maurice Templesman, a controversial American diamond merchant mentioned before, who had political ties with SWAPO during the years of the liberation struggle (NSHR, 2007; Roberts, 1996). The speaker also insinuates that De Beers only entered into a partnership with the Government of Namibia to ensure that they would continue getting their mining licences:

*"And if there are more players in the industry, countries have more options and I hope they will also use it cleverly to negotiate better deals. Because De Beers was well known for being an extractor of diamonds and just giving government a few dollars in tax and not anything else. I think that has to change dramatically, the whole approach should change. They were very nervous with independence and Templesman was the first one off to State House to secure the deal for De Beers. And they have done a similar deal in Botswana with Debswana. So when they saw there is competition and maybe these governments look at other options they jumped to a new strategy and that is to make them shareholders then we can be assured to get our licenses. Of course they are in the same boat now. And that has worked quite substantially because Lev Leviev, this diamond polisher, they tried to get licenses for diamond mining and they tried through the polishing to convince governments to say we are polishing the diamonds and are not just taking them out but we hope to get a license. So the counter strategy to that of De Beers was to get governments on board to fend off that kind of competition" (Academics and Research Institutions Representative, Respondent Nr.11).*

In the case of the latter, 'improved public relations' (2), another respondent was able to compare the mining industry before independence to what it is currently. He found that today mining companies, including De Beers and Namdeb, were much better at dealing with the public. He explained:

*"I did my thesis on the role of mining but it only went up to the eighties. And comparing what the mining industry and particularly, Namdeb and De Beers are doing now ... compared to those times, is a tremendous improvement in the sense that they are much more open. Those years it was so secretive and oh, it was difficult to see what they are really doing and how they are doing it. It was very difficult before independence" (Industry and Business Related Organisations, Respondent Nr. 28).*

This respondent, however, was the only person who was of the opinion that De Beers improved its public relations. As was discussed before, most of the stakeholders

interviewed were convinced that De Beers was using its limited small CSR projects, for example, to white wash the negative effects of its mining operations and the fact that it was repatriating all its profits out of the country. This specific point is further discussed in the next section which addresses 'Economic Issues'.

#### **5.2.1.2. Economic Issues**

Economic issues are understandably closely linked to the political issues discussed above as these are related to financial stakes, investment matters and the positions of the powerful and the powerless. This category of issues is the second most important set of issues with a total of 16 issues and 331 instances counted amounting to 29% of overall issues identified. Twelve negative and four positive issues were counted with 248 and 83 instances respectively. Issues identified range from being mentioned 111 times ('high profits and no reinvestment') to only once ('unfair competition', 'disregarding unprofitable operations even if people benefit and 'training employees'). As in the above discussion on negative political issues, this section is also divided into three parts – firstly an auto-ethnographic account of economic issues with regards to diamond-mining economic issues is put forward and secondly and thirdly negative and positive issues are discussed, in that order.

##### **5.2.1.2.1. Economic issues through a personal lens**

In order to set the stage for the rest of the discussion on economic issues to follow, I am sharing some of my childhood memories from more than two decades ago. These memories revolve around the Christmas period when we would visit my mother's side of the family in Namaqualand, the north-western part of South Africa which is known for its rich diamond fields, as mentioned before. In these communities poverty was high and all economic activities were controlled by the State who, for example, only distributed diamond mining licences to white South Africans.

Normally our first destination was Port Nolleth on the western coast where the main economic activities were fishing and marine diamond diving. This is also where my mother's parents lived and my grandfather still makes a living as a fisherman. Here, like elsewhere in Namaqualand and the rest of South Africa, most non-whites were very poor. The 'coloureds' were allowed to stay inside Port Nolleth in an area called Nollethville in tiny cookie-cutter houses which were the same colour as the sand dunes surrounding them. However, this was luxury compared to all the black people who were not allowed to live inside Port Nolleth but only on the outskirts in shanty towns fabricated from card-board boxes and everything else which could be found on the rubbish dumps<sup>34</sup>.

Our second destination was usually Kommagas where my mother's cousins and other extended family lived. Here people most people were employed as mine labourers by De Beers. Salaries were low and some also lost their lives in the mines. Generally, I have recollections of absent fathers and struggling mothers who were old before their time. For example, one of my aunt's sold flavoured ice to supplement her household income. Except I was always wondering whether all the hard work and time she spent on it for very little profit was worth her while.

It was also here where I started observing that along with the faded photographs on the wall there was always a picture of Jesus with a crown of thorns on his head and blood streaming onto his face. His heart was also always beaming radiant light. Indeed in this context Marx' statement about religion being "the opium of the people" certainly made a lot of sense. In actual fact, the original German text, in *Critique of Hegel's Philosophy of Right (1843)*, religion is described as:

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<sup>34</sup> The Group Areas Act in 1950 assigned different regions and areas according to different races. People were forced to live in their corresponding regions and the action of passing the boundaries without a permit was pronounced to be illegal, extending previous pass laws that had already curtailed black movement (Allen, 2005).

" ... the sigh of the oppressed creature, the heart of a heartless world, just as it is the spirit of a spiritless situation. It is the opium of the people" (Cox, 1979, pg. 93).

In view of this, religion and suffering was certainly part of everyday life.

Unfortunately, today after independence, a similar kind of injustice is taking place in Namibia and South Africa as it is still the powerful minority (even though the political regime has changed) who control the economy. This brings to mind an interesting article appropriately titled "Namibia Pty Ltd" written by well-known economic policy analyst and researcher Henning Melber (2006) about the current socio-economic situation in Namibia. He pointed out that right at the start of Independence, the Government of Namibia has in fact continued with the exploitative and discriminatory nature of the country's century of occupation under first German and later South African settler colonialism as well as the infamous system of Apartheid responsible for gross inequalities. He confirms that these characteristics are still very much present in independent Namibia. Indeed, the point of departure in terms of the inherited socio-economic structures, placed a heavy burden on the shoulders of the former freedom fighters as the transfer of political power was accompanied by the acceptance of the existing socio-economic structures. In fact the inequalities were endorsed as status quo in terms of constitutionally protected ownership and property rights. The limited scope of social changes was as part of the negotiated settlement confined to reforms operating inside this legally binding framework guided by a policy of "national reconciliation"<sup>35</sup>.

Currently inequality in Namibia is the highest in the world (UNDP, 2010) with HIV/Aids, food insecurity and the ineffective delivery of critical social services to the most vulnerable

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<sup>35</sup> After independence, the Namibian Government adopted a policy of national reconciliation whereby people were expected to forgive one another for the wrongs committed in the past and built on a collective, beneficial future. This expectation is referred to throughout the Constitution, which is the supreme law of the country. However, evidence shows that despite the country's efforts to curb racial discrimination, it continues to be a serious problem in the country (Chomba, 2007).



groups remaining big problems. Meanwhile corruption and misappropriation of public funds generally continue unpunished. For example, in 2005 the Deputy Director in the Office of the Auditor General publicly condemned the leniency regarding checks and balances in public accounting and transparency. In Namibia, the rich get richer, often very quickly and the poorer continuously get poorer. Within critical poverty research, it is observed that it is the concentration of economic and political power in the hands of narrow privileged groups that creates and perpetuates inequalities. These negatives economic issues are further elaborated upon in the next section.

#### **5.2.1.2.2. Negative economic issues**

12 Negative economic issues which account for 29 % of overall legitimacy were identified. It is the second biggest sub-category after negative political issues. As in the case with negative political issues, negative political issues were also divided into three different themes. These are shown in table 5.2.2. below and are discussed in the same order.

**Table 5.2.2. Negative Economic Themes and Issues**

<b>3 Negative Economic Themes</b>	<b>12 Negative Political Issues</b>
i) Contrast of very high profits & Lack of reinvestment (5 issues)	High profits and no reinvestment (24); Paying taxes not enough (31); not having a specific development fund (4); not planning well enough to cope with international market fluctuations (4); Disregarding unprofitable projects even if people benefit (1)
ii) Mining industry burdens (4 issues)	Resource curse (33); reputation of the mining industry (25); cost of mining (10); finiteness of diamonds (13)
iii) Some general challenging obstacles to economic development (3 issues)	Government investment regime too lenient (12); Diamond mining skewing development (3); Unfair competition (1)

#### ***Contrast of very high profits & Lack of reinvestment***

This theme contains not only most of the negative economic issues but also the most important economic issue which is 'high profits and no reinvestment' (111). This issue was

mentioned briefly in the previous section as it is closely tied to political issues which include De Beers' history of economically benefitting from Apartheid policies and laws. Box 5.3 below provides an overview of this factor. Many of the respondents raised the issue of 'high profits and no reinvestment' (111) as they see De Beers as making a lot of money from Namibian diamonds but that the company does 'not have a specific development fund' (4) and does 'not plan well enough to cope with the fluctuations on the international market' (4). Indeed many stakeholders have strong viewpoints about what they perceive as De Beers' 'responsibility' to invest some of its profits in the country's economic and social development. As said before, De Beers is said to have built its current economic empire during Apartheid which is considered a by-product of laissez-faire capitalism (Lowenberg & Kaempfer, 1998). For example, De Beers is said to have sold 85 to 90 % of diamonds mined world-wide (Stein, 2001) while receiving mining rights at low prices from the Apartheid government (Roberts, 1996).

At the same time the company was able to intensively exploit black labour under Apartheid laws (Roberts, 1996). In all industries, including the mining industry, there were no controls in place protecting the black Africans and it was 'legal' to exploit them under the discriminatory Apartheid laws. Companies were therefore not held accountable and managed to get away with acts which are considered gross human rights abuses today. For example, more than one thousand mineworkers died in 1909 alone from accidents arriving from unsafe working conditions (The African Business Journal, 2012) indicating that several thousands died over decades.

In addition, diseases such as tuberculosis caused by bad diets and poor living conditions and silicosis, scarring of the lungs also killed many (The Southern Times, 2011; Allen 2005). With regards to the latter, silicosis, caused by mine-dust, a court case for reparations

has been instituted by former mine-workers who are still suffering from this illness against Anglo American (The African Business Journal, 2012).

In view of these facts it is obvious that the main reason for the illegal occupation of Namibia was economic. Indeed a general joke amongst Namibians is that the South African regime only built one main road and one railway line through the centre of Namibia into South Africa to transport all the riches out of the country. This is in direct contradiction to the speech of the last apartheid regime president, F.W. De Klerk in 1990 at the official handing over of Namibia by the South African Government. He stated that "South Africa has over many decades made a massive contribution to the development and creation of infrastructure in this territory. This vast land is well equipped for the economic challenges which lie ahead" (Official speech at the occasion of Namibia's Independence, 20 March, 1990).

This statement was of course not a reflection of the reality and when SWAPO, the then liberation movement since the 1960s and now main political party in the country came to power in 1990, they 'inherited' a system and a society based on inequality, exploitation and underdevelopment (Cliffe, Bush, Lindsay and Mokopakgosi, Pankhurst and Tsie, 1994). For example, during apartheid no black-owned companies were allowed and only foreign companies and white South African owned companies exploited the natural wealth of the country (Louw, 2004).

In fact, in the case of De Beers, at independence in 1990, the company has been operating in Namibia officially since 1908 when diamonds were discovered on property owned by a German company, the 'Deutsche Koloniale Gessellschaft' (DKG). Within a year of this discovery practically all the known diamond fields were being mined by small syndicates

of partnerships including De Beers, most holding a 50-year concession from DKG. The German Government, in agreement with the DKG, decreed the desolate, under-populated coastal strip of land extending some 350km north of the Orange River as a restricted area and the 'Sperrgebiet' or 'Forbidden Territory' was formed. (Today still, trespassers of this area face prison sentences or heavy fines, with even heavier penalties if they are found to be in possession of rough diamonds). Following the end of the German administration of German SWA after World War I, an offshoot of De Beers - Consolidated Diamond Mines of South West Africa (CDM) – was formed, and by 1919 had taken over all companies (Hazleton, 2002). CDM secured exclusive rights for 50 years which was later extended over the entire Sperrgebiet. By 1920 De Beers had control over all the diamond areas and other companies in Namibia and the Sperrgebiet was considered virtually a private preserve of the company (Hazleton, 2002).

Diamond mining in the pre-independence years led to the institutionalisation of a contract labour system, and the establishment of cheap and inhospitable compound accommodation for black miners, similar to those in South Africa. The South West African Native labour Association was established to recruit low-wage labourers, mainly from the north of the country in Ovamboland, to work in the mines. Indeed, the contract system developed the so-called homelands into a kind of slave-market (Hazleton, 2002). Ovambo men could only leave their designated 'homeland' in the north for another part of the country if they had a contract. The contract took the form of an agreement between an individual and labour-recruiting organisations that belonged to the mining companies, and that had the support of the colonial state. Individuals taking a contract had no say in its terms and conditions. Workers could not change jobs in pursuit of better wages or conditions. If they left before the expiry of the contract, they were in breach of Master and Servant Pass Laws (Master and Servant Proclamation of 1920 and the Pass Law Proclamation of 1922) and

could be jailed or forcibly returned to the employer (Louw, 2004). It was virtually impossible to challenge the contract labour system or the treatment of workers, because De Beers ruled the company towns, with the support of the colonial regime. This system of labour abuse was a feature of mineworkers' lives for several decades of the 20<sup>th</sup> century (Allen, 2005; Hazleton, 2002).

Today, it is still difficult for Africans to forget about these atrocities committed against them and in 2002, a lawsuit was filed against twenty-two U.S. and European companies on behalf of victims of Apartheid (Terreblanche, 2009). The lawsuit, *Khulumani et al v. Barclays et al.*, was filed in federal court in the Eastern District of New York. U.S. defendant companies include ChevronTexaco, Citigroup, ExxonMobil, Fluor, Ford, General Motor, IBM and J.P. Morgan Chase. The suit is based on common law principles of liability and on the Alien Tort Claims Act which grants U.S. courts jurisdiction over certain violations of international law, regardless of where they occur. The complaint contains a significant amount of information on the collaboration of the companies with the Apartheid regime. The Khulumani Support Group was established in 1995 by survivors and families of political conflict of South Africa's apartheid past, has served as a voice for the victims and survivors (Terreblanche, 2009).

In fact at independence, De Beers has officially been operating in Namibia for more than eight decades in an environment totally in favour of capitalistic exploitation aided by exploitative labour laws and an absence of environmental laws applicable to mining companies, as explained and illustrated earlier. Thus, during the negotiations between De Beers and the Government after independence in 1993, all eyes were upon De Beers and tensions were high as the company was seen as the really 'bad guy'. With regards to this, an important Government diamond industry representative remarked:

*“... and De Beers took part in the illegal exploitation of Namibia’s natural resources until the country was free and independent so they were called conspirators and collaborators in perpetuating Apartheid and exploitation of the resources illegally, against UN resolution councils that ... remember there were resolutions then saying that companies should not come in and exploit the natural resources until the country was free and independent and they did that. So they were called conspirators and collaborators in perpetuating Apartheid and the exploitation of the resources illegally, against UN resolutions. So they were afraid of the incoming Government. In order to protect themselves, they needed to be in bed with the government. They invited us [puts a lot of stress] we did not push ourselves into the joint venture. They invited us because they felt it would protect them because it will then be a zebra ... when you shoot the white, you also shoot the black. So the game was basically I’ll share for a dollar” (Government Representative, Respondent nr. 33).*

In view of the above, it seems obvious that Namdeb’s legitimacy is affected by De Beers’ position of equal shareholder as the company (De Beers) evidently carries a lot of baggage from its past. It is also true, as mentioned before, that Namdeb gains from De Beers’ strong position in the international market. However, the view is held that this strong and dominant position does not give De Beers the right to behave irresponsibly. With regards to this, a respondent stated that:

*“... just because they promoted it [the diamond mining industry] that well, they have control over it and have a monopoly ... they can do whatever they want. [ ... ] I am sure that we are all just puppets in their hands but I can’t say anything ...” (Environmental Organisation Representative, Respondent nr. 17).*

In line with this is the idea held by many stakeholders that ‘paying taxes are not enough’ (31). In actual fact, some stakeholders expect that De Beers need to do much more than pay their taxes because the profits the company is suspected of taking out of the country are huge. This is explained by the same respondent quoted above:

*“I do not think that they should look at taxes as a contribution. Part of the taxes they are paying, especially those in the extractive industries, they must pay just for the right to have access to those natural resources. That is how I look at taxes. Just to be able to extract the uranium from the Namibian soil, the mines must pay taxes apart from the license fees, those things... that is peanuts compared to their profits and I think that business should look at it this way, their profit levels, how much profit they are making and how much they are putting back into society” (Academic and Research Institutions Representative, Respondent Nr. 12).*

However, when De Beers was interviewed, they said the taxes they are paying are sufficiently contributing to the development of the country. The representative speaking on behalf of De Beers was quite adamant that the Government should do a better job of redistributing taxes where it is needed and not expect business to do its job:

*“I think Government must have effective mechanisms in place to do the appropriate taxation, do the appropriate levies on royalties and every other form of government generating revenue. They must use that wisely. I think it must encourage business to grow, to become stronger and bigger and through that growth government will enjoy even more fruits through taxation but I think when government is expecting the private sector to do its job ... it's not right”* (De Beers Representative, Respondent nr. 14).

The above point of view, that the Government should not expect the private sector including companies such as De Beers to part-take in the Government's responsibilities is also shared by one of the most prominent Namibian economists. He candidly shared his view on the topic:

*“Governments exist to provide social services for the people and that is why we have a tax system and a government. To me it is a sign of failure on the part of government when it starts pushing private industry to provide those things that government should be doing. So there is a sort of complete muddying of the waters if you like ... you know government saying private sector you must pay taxes and must make profits but you must also do all these social things. That is government's responsibility ... we have one of the biggest governments as a proportion of the economy ... we have one of the biggest governments in the world but it is not delivering to the people it is just a big, bloated bureaucracy that doesn't deliver. But the way it is now approaching that problem is now not to reform itself to make itself more effective, to shift the burden of delivering public services onto private companies. So they are burdened two-fold: they pay taxes and then they are expected to do other things on top of that. And private companies are not good at delivering public services because they always have a profit motive, a profit angle”* (Industry and Business Related Organisations, Respondent Nr.10).

The above speaker is clearly in agreement with De Beers representative that Government should be more efficient in terms of service delivery and using taxes. He is of the opinion that it is the private sector is burdened twice in the Namibian context – firstly, they have to pay high taxes and secondly, they are still expected to deliver services and so forth. He further explains that to expect companies to deliver services might even be detrimental to Namibians as the profit motif will always overrule the service to be delivered at hand.

This point of view is further supported by other Namibians who also feel that the taxes De Beers are paying to the Government are indeed enough and that De Beers might even be over-taxed. The statement below by an important diamond industry government representative illustrates that even some government officials are conflicted over this issue:

*“However, they should not be expected to do more and beyond to what they are already doing if they are overly taxed. So just because Government has a problem with the allocation of resources*

*or misuse of resources, it doesn't mean now that you must come back to the company and say that the company must do more when the company has already paid you so much money. For what? And this is the argument of De Beers ... they say 'guys, you are taxing us enough and now you tell us that we must build a school in the north. We gave you the money to do that but you chose to build a statehouse and chose to buy a plane with the money now you want us to build a school?'"* (Government Representative, Respondent nr. 33).

It is thus suggested that the Government should reprioritise issues of development as regularly and continuously money is spent on controversial projects such as building a very expensive statehouse (Lister, 2004) while it was not urgent and spending exorbitant amounts of money on expensive cars for government ministers (Hamata, 2010). Many Namibians find this shocking especially as the Central Bureau of Statistics (2006) reported in their 'Namibia Household Income and Expenditure Survey 2003-2004' report that one in every four households live in poverty. The gap between the rich and poor is also very wide and 64 000 people are in need of food aid (UNICEF, 2003). These are some of the reasons why the business community might be reluctant to do more in the society where they operate because they feel that it is the Government's responsibility to address development issues.

However, on the other side of the fence are stakeholders who are of the opinion that De Beers is in debt to Namibians and that they should pay for their conduct under Apartheid. For example, a leading journalist sarcastically remarked that De Beers made huge amounts of money during the Apartheid period, referring to South Africa and Namibia as the legendary lost city of gold, 'El Dorado':

*"But they have made ... well De Beers is what they are today because of Oranjemund because they have made more money out of that than anybody has ever made out of any mine, anywhere in any time in history. The great El Dorado made them stinking rich. Got them enormous power"* (Media Representative, Respondent Nr.3).

Today the sentiment is that the same thing is continuing to happen even though it might be to a lesser extent. As one academic remarked:



*"[ ... ] Uhm, they (De Beers) are making huge profits. Now, when they are making those profits, they declare their profits and they ... I don't think they had a scenario where they said if we make so much then we will give so much ... 'we will still give 50% away because that is way above our projected profits anyway'. You see what I am saying? So yes, the layman ... I feel ... feels let down or left out of the picture of development because not much is trickling down to them"* (Academic and Research Institutions Representative, Respondent Nr. 1).

This statement was made by a well-known, privileged and educated Namibian. However, it could just as well have been the words of any ordinary citizen including the unemployed, the uneducated and the poorest of the poor. The reason for this is that Namibians have the feeling that big multinationals such as De Beers come to the country to make huge profits without ploughing back into society. This is a very strong driver of discontent amongst Namibians, also in the case of De Beers as people often talk about the huge profits the company makes and takes out of the country without engaging in any sustainable reinvestment in the country. Mostly people are not even aware of the true amount of profit De Beers makes but their opinions are influenced by the fact that diamonds are seen as a luxury product bought by the rich and even the less rich mostly in developed countries.

The general expectation is that since De Beers seem to make a lot of profits, the company needs to invest in sustainable projects which will truly benefit the country. Instead, the company is said to engage in projects which serve only to window-dress. This is explained by a respondent from the research sector:

*"One of the things that I feel is an example is the mining sector, take the diamond mining sector .... How much money does the diamond sector in Namibia spend on capacity building, not just for their staff members but also outside of the company. How many scholarships do they give. And if you look realistically at the level of profits that they make, and even if they tell you that they give 20 scholarships, it is still ridiculous"* (Academic and Research Institutions Representative, Respondent Nr. 12).

This point was discussed before and the above statement only serves to reiterate, once again, the observation that the majority of Namibians are of the opinion that De Beers and Namdeb is in debt to the Namibian people.

In the next section the second theme which highlights specific mining industry issues is discussed.

### ***Mining industry burdens***

This theme consists of four issues – ‘resource curse’ (33), ‘reputation of the mining industry’ (25), ‘cost of mining’ (10) and finiteness of diamonds (13). In the case of the ‘resource curse’<sup>36</sup> (33) it is postulated that it plays a serious economic role in the context of De Beers and Namdeb’s roles in Namibia. For example, some stakeholders are of the opinion that corrupt acts may take place because De Beers is financially very powerful and that it may be able to ‘bribe’ people. The following respondent made an interesting statement about Nicky Oppenheimer, Chairman of the De Beers Group:

*“It’s only if Namdeb, if our Government can come up with a new policy that will change the mind-set of Namdeb management especially the mind set of Mr. Nicky Oppenheimer, who is the owner of De Beers Group of Companies. Now Nicky Oppenheimer, even in the eyes of everyone ... we believe that Nicky Oppenheimer, from an ordinary man in the street or an ordinary woman in the street, he would believe that Nicky Oppenheimer ... the power that he has, I think is equal to the president of the country and even more because he has the means. I’m not saying that our people are being bribed but you’ll remember sometimes with big companies like Namdeb, the company that has all the revenues, things can be played under the carpet”* (Civil Society and Civil Rights Organisations, Respondent Nr. 24).

The speaker was careful not to accuse De Beers and Namdeb directly but made the statement that “things can be played under the carpet”. It was clear that he did not have much faith in either De Beers or Namdeb management as well as some of the government officials involved in Namdeb’s operations. He was agitated, restless and raised his eyebrows several times to show his discontent.

Another respondent referred to the fact that the more turmoil and governance inconsistencies there are in a country, specifically in the political and economic arenas, the

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<sup>36</sup> A 1995 analysis of developing countries by Jeffrey Sachs and Andrew Warner found that the more an economy relied on mineral wealth, the lower its growth rate.

better it is for some MNCs as they can then 'do whatever they want to'. He was very agitated when he said that:

*We have all these mining companies and if Namibia falls apart socially and politically, they will find elsewhere to operate if they cannot find a way to do business the way they want. Because sometimes for them it is even better if you have unrest and turmoil because they can do whatever they want without anybody asking any questions* (Academic and Research Institutions Representative, Respondent Nr. 12).

This negative view of MNCs and the mining industry is further explained under the 'reputation of the diamond mining industry' (25), an issue brought up by a number of stakeholders. In actual fact, De Beers was classified as a cartel by both governments and international regulatory bodies as the company controlled the international flow of diamonds for decades (Guichet, 2009; Epstein, 1985; Roberts, 1996) by fixing prices, controlling supply and limiting competition (Stein, 2001). These are some of the main reasons why De Beers is often regarded with suspicion (Roberts, 1996). In fact a Government representative says that even the Government takes into consideration the reputation of the international diamond industry which is 'opaque and mystical'. Apparently it is better to be in partnership with De Beers to prevent being 'cheated':

*"First of all to protect its strategic interests and to learn more about the industry which, everyone knows the diamond industry has been opaque and mystical, mysterious ... we know about the marketing and the pricing structures and the government felt that if we are going to go in ... we needed to be inside so that we can learn the business ourselves so that we know the dynamics of the business. And therefore we protect ourselves from being cheated because after all, it's all about making money"* (Government Representative, Respondent nr. 4).

Furthermore, the same speaker mentions that the Government also wanted to be in partnership with De Beers to be able to influence its social objectives and general impacts on society. This is an important point because as the person states, it is considered that De Beers is more concerned about the profits that it makes while the Government also aims to spread the benefits of diamond mining to Namibians:

*"So by having directors in the company, we have inside information into the financial ... into the books of the company ... into the costs and the revenues, the profits and to also to get involved in other aspects particularly with respect to corporate social responsibility ... to ensure that this company, when the resources are depleted, that they actually leave something there. By being on*

*the board we are able to influence the decisions about these social things, social issues ... They are more into the profit and cost issue and we are more into maximizing benefits for the country and the people, and the workers and labour issues ... all those kind of things. It allows us to have an influence the company policy on these issues” (Government Representative, Respondent nr. 4).*

However, this is a Government representative speaking and is not sure that the Government is indeed also making sure that Namibians benefit from the country's diamonds. At least, it is a fact that not all Namibians benefit in the same and equal manner that they should as was pointed out before.

Additionally, people are also concerned that 'diamonds are finite' (13) and that the 'cost of mining' (10) is high. In view of this, many stakeholders are of the opinion that De Beers and Namdeb have a responsibility to pay back to the Namibian people. This was discussed before in view of the expectation that many consider that De Beers gains much more financially than the people of Namibia even though the diamonds and other natural resources 'belong' to them. On account of this, people also expect De Beers to play a greater role in the development of the local communities. A representative from civil society remarked:

*“Namdeb is a company that is doing business with the natural resources of this country, and the natural resources of this country belong to the Namibian people ... belong to the people who are living within the Republic of Namibia. As a result of that we are expecting a lot from some of these companies. You are talking about a natural wealth, a God-given wealth for the Namibian people. As a result, when we see our fellow Namibian people swimming in poverty, do not even have a cent to buy a loaf of bread, and we are talking about a country with such natural wealth. It causes one to feel sorry for those people ...” (Industry and Business Related Organisations Representative, Respondent nr. 27).*

This seems to be a reasonable expectation especially because of the 'finiteness of diamonds' (13), 'mining costs' (10) and 'diamonds mining skewing development' (3). The 'finiteness of diamonds' (13) was mentioned by 13 respondents indicating that many Namibians are worried about the sustainability of diamonds as these cannot be replaced after they are taken out of the ground. One respondent said that:

***“It (diamonds) is exhaustible. Of course, when you take it, you cannot put it back. It is gone”***  
(Academic and Research Institutions Representative, Respondent Nr. 16).

The same point of view is illustrated in the following statement:

***“My personal opinion comes into play when I say that any mining operation is extracting valuable resources from our land and 99% of it is non-renewable. It also means that there are unavoidable costs involved”*** (Civil society and Civil Rights Organisation Representative, Respondent Nr. 19).

In view of the above, it is confirmed that most Namibians accept that diamonds are a non-renewable resource which is essential for development but the exploitation thereof should be done in a balanced sustainable way.

This point leads to the last theme which refers to general obstacles to economic development.

### ***Some general challenging obstacles to economic development***

Three issues fall under this theme – ‘Government investment regime too lenient’ (12); ‘diamond mining skewing development (3) and ‘unfair competition (1). The first issue which is ‘Government investment regime too lenient’ actually compliments the ‘paying taxes not enough’ (31) issue was discussed before because De Beers is seen to be unfairly benefitting from the moderate investment climate in the country. Some Namibians, mostly the well-educated ones, are of the opinion that the Namibian Government makes Foreign Direct Investment (FDI) measures too lenient for multinationals and other potential international investors. The belief is that because of this, the Namibians, both poor and rich, across the board, benefit much less from the country’s natural resources. The perception is that the Government is overly dependent on FDI and is willing to ‘sacrifice’ the benefits of the ordinary Namibian.

It is true that De Beers is not directly responsible for this situation as it is not directly involved in the law and policy making and application of these, but stakeholders consider De Beers as being irresponsible and unethical for benefitting from the circumstances. The root of the problem is that the Government is too dependent on foreign investment, including business with multinationals such as De Beers. This places it in a weak and unequal bargaining position. Some stakeholders who brought up this issue were of the opinion that companies such as De Beers abuse this 'weakness' and dependency of the Government. For example, the following respondent said that:

*"... 'you must give me a tax break and so on' ... I mean it is just not fair to the economy that you (the foreign investor) get all these benefits, free land, free water and whatever and all these other things that the tax payer, you and I, have to pay. The investor comes in and says ok, my tax whatever should be here because if I pay more than that I will not be able to invest. He is telling you a story ... He will invest no matter what the situation" (Academics and Research Institutions Representative, Respondent Nr. 1)*

Another point of view is that the multinational companies are dictating to the Government what should be done and what they want. Government's seemingly 'willingness' to give in to these demands signals weakness and incompetence to the ordinary Namibian, especially those who are not loyal SWAPO members. This explained by the following respondent:

*"There is on the one hand the electorate and the promises they made to the electorate and on the other hand there are business 'conditionalities'. And it is particularly bad with foreign investors, let's say they say 'we want a, b, and c' and if you cannot provide that then we will not invest in your country and will go elsewhere. And this puts governments often in a very difficult position where they often betray their mandate and the accountability to their own people to attract business" (Academics and Research Institutions Representative, Respondent Nr. 26)*

However, it is a known fact that the more politically well one is connected, the more one may benefit from FDI directly as well in the natural resources industry as SWAPO members get concessions and diamond licenses and then team up with rich and experienced international investors.

Furthermore, the diamond mining industry is accused of 'skewing development' (3). For example, an economist stated that:

*“ ... this is what I say about mines sort of distorting the development of the country, distorting even the provision of public services. They are out on the sticks mining because that is where the deposit is and over time a community builds up around that mine. And that makes it very difficult for Government as well to deliver public services to this far-flung place you know which is probably very expensive because you have to pay teachers extra salaries to go and teach there. So it raises all those issues but that is partly why mining companies often pay higher taxes than other companies [ ... ] and somehow that extra money should be used to fund those developments and to fund proper closure plans. We have to accept the inevitable if it is but we have to manage that transition a lot better and we do that through regulations, laws, taxes, special funds, special regional development initiatives”* (Industry and Business Related Organisations, Respondent Nr. 10).

This remark is also linked to ‘mining costs’ (10) which both the Government and Namdeb have to pay attention to. On the one hand mining is important for economic and social development and on the other it causes other problems such as destitute mining towns after mine closure if proper closure plans were not put in place.

However, at the other end of the spectrum, De Beers and Namdeb were also positively evaluated by some stakeholders. This is next discussed.

#### **5.2.1.2.3. Positive economic issues**

Four positive economic issues were identified. These are ‘driving economic development’ (68), ‘investing in sustainable projects’ (10), ‘De Beers’ technical & marketing know-how’ (4) and ‘training employees’ (1). In the case of ‘driving economic development’, the following respondent stated that:

*“ ... (De Beers) is a very powerful company, I would say. They are still the giant of the diamond world. They are massive in southern Africa, they are very big in Botswana and in Namibia they contribute enormously to the development of the country and tax revenues and GDP and skills development. They are very, very powerful”* (Industry and Business Related Organisations Representative, Respondent Nr. 10).

As is stated above, one of the most important effects of the Namdeb’s operations is the fact that the company contributes a great deal to the country’s GDP and consequently to Namibia’s development goals in Vision 2030 (2004) as can be seen in the following statement:

*“Obviously, Namdeb, given their economic power, [ ... ] De Beers makes a bigger contribution than most of the other businesses in terms of realizing some of these development goals or Vision 2030” (Academics and Research Institutions Representative, Respondent Nr. 16).*

This is an important economic issue because, as mentioned before, Namibia has unemployment of over 50%. A government minister interviewed also stated that he believes that De Beers is willing to cooperate with the Namibian Government and “to share in the wealth of the country”. However, in the same statement he says that he is not sure whether Namibians are indeed receiving their full share:

*“Uh, I must say, taking from where they are coming from and where they are now, there has been a change in terms of their responsibility towards the country. So previously they were responsible for their own profit, etc. There were no laws that obliged them to do A,B,C, but now, uh, De Beers, uh, is in partnership with the Namibian Government. That is why we have Namdeb, in other words Namibia 50%, De Beers 50%. So that in itself is a sign that they are willing to play together and to share in the wealth of the country. Uhm, whether we are getting our full share in terms of that, that is another issue ...” (Government of Namibia Representative, Respondent Nr. 29).*

Another point of view is that De Beers realises that it has a moral obligation and responsibility towards the people and the environment it exploited for decades in Namibia and South Africa. In view of this, it is argued that in order to address some of these issues mentioned above, De Beers has implemented what it calls the ‘Beneficiation for Africa’ strategy. Beneficiation is the term given to the initiative to increase the local benefit of diamonds to the local economies by creating a downstream industry, for example cutting and polishing factories<sup>37</sup>. De Beers’ managing director, Gareth Penny noted, that it is not altruism which is leading the company towards beneficiation, but a sense of what is right, what makes good business sense, what consumers will demand, and a determination to create the necessary conditions for the future and stability of business.

The beneficiation initiative in Namibia started in 2007 with the creation of the Namibia Diamond Trading Company (NDTC), an equal joint venture between the Government and

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<sup>37</sup> Currently an estimated 92 % of the world's diamonds are cut and polished in Surat, an industrial city in western India (Hussain, 2009).



De Beers, ensuring the supply of up to 10% of Namdeb's rough diamonds to local diamond manufacturing companies. However, this process is questioned as some people argue that De Beers' beneficiation strategy is limited and that Namibia still does not benefit enough from downstream business. It is underlined that the laws have changed after independence in order to benefit locals but that nothing substantial has taken place thus far. A researcher from the principal labour research institute pointed out that:

*"Partly the laws and regulations have changed after independence but we have not seen a move towards value addition to natural resources. The only exception is maybe this little bit of polishing that we see now of diamonds. But compared to the value addition of diamonds generated this is minute. Firstly I think it is less than 20% or something like that of diamonds that go for polishing. Secondly all Namibian diamonds still go to London and only some are returned. And then polishing is only part of the beneficiation. What about the jewellery diamonds, what about the industrial diamonds etc. So in my view this is far too little and so despite the policies there the actual implementation has been quite disappointing"* (Civil Society and Civil Rights Organisations Representative, Respondent Nr. 11).

The issue 'training employees' (1) is not too important as it was only mentioned by one respondent. However, Namdeb does invest in the training of its employees substantially as Namibia has a shortage of skilled labour. The company is therefore obliged to engage in this activity in order to gain economically but it is overall a positive issue which benefit those Namibians involved. An industry representative explained that De Beers sponsors training through the Namibia Institute of Mining and Technology (NIMT), which is partly subsidised by the Government. When asked whether De Beer's sponsoring of a training centre in 2009 was not only because the company faced a skill shortage, the respondent replied affirmatively but added that these individuals can also work anywhere else in the country:

*"For the mining ... but they can ... I mean, if you talk about an electrician coming from NIMT, he can work anywhere. A boiler-maker from there can work anywhere. But the emphasis is on skills that we (the mining industry) need. And I think ... so you've got that cooperation. So we do not leave training ... we say this is a problem and then we do not leave it to Government alone. We believe we are partners, we've got to invest equally ... but that's just an example of a challenge"* (Industry and Business Related Organisation Representative, Respondent Nr.29).

This point of view was shared by Nicky Oppenheimer, Chairman of De Beers who said at the inauguration of the training centre: "Skills development plays a vital role in our

business, which is why we feel so strongly about investing in and nurturing what NIMT is doing. Skills development, among its citizens, is critical for Namibia's future, and is an important part of achieving Namibia's Vision 2030 goals" (De Beers, 2009).

As illustrated above, numerous examples of economic issues exist. Also evident is the fact that many of these issues cannot be divorced from each other. In the following section, 'Social Issues' are discussed.

### **5.2.1.3 Social Issues**

Social issues are related to society and include the different communities, in this case the Oranjemund and Karas communities. Oranjemund is the mining town where most employees live and children go to school etc. The Karas community is situated in the south-west of the country where Namdeb's mining operations are taking place. A total of seven social issues were counted with 47 instances amounting to only 4% of total legitimacy. Of the seven issues, five were negative and two positive with instances of 17 and 30 counted in that order. The social issues identified will firstly be introduced by an auto-ethnographical reflection. Secondly and thirdly, negative and positive issues will be presented respectively.

#### **5.2.1.3.1. Social issues through a personal lens**

Social issues are obviously linked to a great number of economic issues discussed above. This is because concerns such as poverty and unemployment are both economic and social. As I described above, what I remember the most while growing up and about my visits to my cousins in South Africa was the poverty and lack of opportunities for people. It was difficult for parents to break the vicious cycle of poverty which brought with it another bunch of social problems. For example, women had far less job opportunities, alcohol

abuse was evident throughout the community and teenage pregnancies were also a serious problem in most of these mining communities (see for example Falola & Heaton, 2007).

With regards to mine closure a vivid memory comes to mind. Just before Christmas one year early in the eighties, De Beers announced that one of their smaller mines was not profitable anymore and that 60 of the approximately 150 mineworkers would be laid-off. It was an awful Christmas as parents were afraid to spend money on even small things as they were already thinking about the school uniforms, books etc. they had to buy in January in preparation for the new school year. Most of these people did not have any savings as they were living from hand to mouth. One of my uncles was the spoke-person of the laid-off workers as he was considered as the most knowledgeable person about workers rights. I heard him complain on several occasions to my father that he was desperately disappointed as he felt that nothing was accomplished during attempted negotiations for better salaries and work conditions with the mine's management. He said that he felt responsible as so many community members counted on him to bring about positive change.

However, some positive change eventually came at the end of Apartheid in 1993 in South Africa and 1990 in Namibia. Today I do not visit my family in these communities very often but I know that there are many more opportunities for people to live better lives. There are more jobs and more study opportunities and people are generally free to speak their minds and fight for what they perceive as their rights. However, as underlined before, unfortunately society is still very much based on inequality and 'divide and rule' aspects which dominated South African and Namibian society during Apartheid.

In the next section this discussion is continued as negative social issues are discussed.

#### 5.2.1.3.2. Negative social issues

Five negative social issues were identified. These are ‘mine closure’ (9), ‘diseases’ (3), ‘infringing on the rights of people’ (3), ‘putting strain on water and electricity supplies’ (1) and ‘mine fatalities’ (1). As seen, the most cited negative social issue is ‘mine closure’ (9) as some of the stakeholders interviewed were concerned about the sustainability of Namdeb’s mining operations and the effects of mine closure. For example, an environmentalist interviewed stated:

*“I mean, there should be a closure plan. Everybody who works down there at the moment knows that the resource is only going to last this much longer and if they aren’t being totally transparent in that way then they are crooks because I mean that is the reality that nobody can get away from. The diamond fields have been rich, they have been mined out and they will come to a stage where there are no more diamonds left that you can economically mine. And then the operations finish and then everything shuts down and if the mine operation finished then what? If the company doesn’t start preparing everybody ... I think Namdeb should be doing a lot more and try and prepare people for not being dependent on the mine anymore”* (Environmental Organisation Representative, Respondent Nr. 17).

This is a serious worry which raises the question of what will happen after Namdeb will no longer operate in the current mining areas which comprises of the two communities mentioned above. This is clearly a social issue which may seriously affect the social well-being of the community when there are no more jobs and no new projects have been started to generate employment and stimulate the economy. Regarding the Government’s and also community members’ responsibility in relation to the creation of economic and social projects, not many options outside of mining, such as agricultural projects exist, as Namibia is an arid country which rely heavily on its natural resources such as mining, fishing and tourism.

An economist interviewed argued that the Government should institute a policy which forces mining companies to plan for mine closure. He is of the opinion that currently there is not a proper mining closure policy in place and that if companies are not obliged by the

Government to do something will take the money they made and leave without addressing the problem. He stated:

***“ ... That’s an issue that calls for a policy. We should have a policy where, over the life of the mine pay into a fund which is then used when a mine closes and some mining companies do that but it won’t just happen of course because private companies will just take the money and run. But if there is a policy in place, it obliges them to do something. And government should make sure they stick to the policy, then the problem should be ameliorated you know but I don’t think we have a proper policy, a mining closure policy. It is left up to individual mining companies to decide what to do and that is probably not good enough”*** (Industry and Business Related Organisations, Respondent Nr. 10).

However, upon further research, it was discovered that the *Minerals Policy of Namibia, 2002* stipulates in sections 2.2.5 that mine closure should be well planned and communities should be involved while Government will ensure compliance to policies and guidelines during rehabilitation. This policy, just like the *Minerals (Prospecting and Mining) Act of 1992*, emphasises in section 53 the fact that mining companies should be responsible for their actions stressing thus that rehabilitation is a responsibility of the mining company while Government facilitates the process to ensure compliancy. In addition, a new Act was recently passed, the *Environmental Management Act 2007* which requires mining companies to submit closure plans every three years and to provide guarantees for the rehabilitation of mining sites after closure. However, it is not sure whether all these policies and laws are complied to as the country is said to have reasonably good laws in place, but the existing framework does not for example, adequately protect the environment from abuse by some mining companies (Limpitlaw & Hoadley, 2009).

In the case of the issue ‘infringing on the rights of people’ (3), the two respondents who mentioned that the rights of people were being violated by the mining companies such as De Beers and were not being protected by the Government, were both very upset and emotional when they talked about the issue. For example, the one respondent explained very loudly and angrily:

***“And the communities around those areas have to give up their right to their ancestral land. I don’t think we have ever been compensated properly, or that there are any plans for compensation for those losses and in the end, they are actually the owners of these resources People should have been compensated properly for giving up those rights in the interest of***

*national interest. But I don't think that there are policies that give people access or concessions or special treatment to make up for these arrangements which are in place"* (Academics and Research Institutions Representative, Respondent Nr. 12).

This issue is of course linked to the political issue of 'not all stakeholders are included' (40) which was discussed before. The argument is that the Karas community is not powerful enough to sway political decisions in their favour and they are not considered an important stakeholder group by De Beers and the Government. The speaker continued to point out that it was unfair that these Namibian citizens had to give up their rights for mining companies to come in and exploit the land they are living on without being compensated. He said:

*"If you are a mining company, and you are working in a specific community it means that you are granted access to land, access to mineral rights, and people to work, roads etc. You are granted all those things by the state and by those communities around you and therefore you have a responsibility towards those communities to make sure that because they gave up ... these rights that actually belong to those people. They gave up those rights so that you can exploit it. They might not have the resources and the knowledge to exploit it but essentially these are their rights. And I think that is exactly what is happening in Nigeria where people are demanding, these are our ancestral lands and anything that lies beneath it is also our property. You are extracting it and you are not putting back into our society. We do not develop and live in absolute poverty while you are pumping our oil next to my house ... you are pumping oil out of my backyard but I am living in poverty* (Academics and Research Institutions Representative, Respondent Nr. 12).

In the case of the second respondent, he sarcastically explained that he really did not trust MNCs such as De Beers at all. He said:

*"And this can be called the dirty business of big multinationals. For example, in Australia we had the same thing where the Aborigines were driven off their land, even until recently. And then courts upholding the rights of multinationals to the land over indigenous land rights that are there for over thousands of years. And the Botswana case is one like that. I have very little doubt that if diamonds were found let's say in Namibia in the Tsumkwe area, we would see the same thing"* (Academics and Research Institutions Representative, Respondent Nr. 11).

Both speakers brought up the example of the Ogoni people in Nigeria whose rights were seriously violated by the Nigerian Government as well as Shell which was mentioned before. Another recent example of people's rights being infringed upon, is the case of the Richtersveld Community<sup>38</sup> who instituted and won a law suit in South Africa in 2007. The

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<sup>38</sup> Richtersveld is situated on the West coast of South Africa, right in the heartland of De Beers' diamond mining operations. The community is actively seeking for ways to improve their living conditions and has been continuously fighting with the Government and De Beers for their rights which include access to land which was confiscated from them under the Apartheid government for mining. The community never benefitted from the mining and instead suffered from high unemployment, low levels of education and a

case involved land ownership - Alexkor, the state-owned diamond miner and De Beers were co-accused with the South African Government for striking a deal to become one company with Alexkor without involving the Richtersveld Community. A former agreement between Alexkor and the community which would assure representation of the community on management level would be annulled if the deal with De Beers went through. In this case the community was fortunately successful in their claim and was promised that it would be involved in future issues affecting their rights.

The issues with the least instances are 'putting strain on water and electricity supplies' (1) and 'mine fatalities' (1). The first issue was brought up in the context of Namibia being an arid country with limited ground water supply which is sometimes wasted and contaminated through mining operations (Limpitlaw & Hoadley, 2009). However, as this issue is only brought up by one stakeholder, it is not really a concern of Namdeb as it is above all the uranium mining in the country which uses a lot of water (Weidlich, 2010). In the case of electricity, most of it is imported from South Africa and with the continuous growth of mining, serious strain is placed on current supplies (Smit, 2010).

In the case of mine fatalities, the company also got a positive evaluation for 'having safety measures in place' (1) even though only one stakeholder brought up this issue. He stated that this fact makes Namdeb a responsible company:

***"I mean responsibility stretches from having a safe environment to paying their employees right and so on and developing them. So they are quite wide in that perspective. De Beers and Namdeb"*** (Academics and Research Institutions Representative, Respondent Nr. 1).

Normally, for any company, especially the mining companies, this is an important legal requirement any way. In view of this, Namdeb is obliged to pay attention to the safety of

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devastated environment. However, currently the Richtersveld Community are involved in issues concerning their livelihood and their environment. For example, In June 2007, the "Richtersveld Cultural and Botanical Landscape", was named a Unesco World Heritage Site and the community itself manages the area (UNESCO, 2012).

its employees. However, it is argued that even if it was not an obligation, Namdeb would nevertheless have to pay attention to this issue as if it did not have safety measures in place and accidents occurred which harmed employees, it would certainly have a negative effect on how stakeholders would perceive the company.

In the next section the more positive social issues are considered.

#### **5.2.1.3.3. Positive social issues**

Only two social positive issues were recognised. These are 'responsiveness to social needs and implementation of CSR projects' (29) and 'having safety measures in place' (1). The former issue, 'responsiveness to social needs and implementation of CSR projects' (29) has been partly touched upon when CSR issues were mentioned in the context of the accusation that Namdeb and De Beers might be using CSR projects for green-washing their reputations. In view of this, on the one hand, the only CSR investment which takes place on behalf of Namdeb and indirectly De Beers in the Karas Region is generally considered public relations and image-related as the projects are seen as unsustainable short-term projects which only provide Namdeb with photo opportunities in the local newspapers. Such projects include toys for pre-primary schools, blankets for poor families during winter time and equipment and funding for sports teams. These projects are not sustainable are heavily criticised by certain members of society, especially certain civil society organisations and researchers.

However, these projects also mean a lot to many people. For example, unemployment is estimated at more than 50 % and the Karas Region is one of the worst hit regions. People are poor and appreciate any help that they receive, be it only to help them with things like



sports as it helps to keep the unemployed youth occupied. Therefore, any help is welcome regardless of the reasons behind such corporate action.

Namdeb, and indirectly De Beers also engage in a certain category of CSR which is considered very important in Namibia. This is the education sector. Every year promising students may compete for scholarships in a few study areas offered by Namdeb. However, the main area is for engineering which is crucial to Namdeb's operations. The conclusion is therefore that this action is merely strategic as Namibia does not have enough engineers. In fact, Namibia faces a serious skill shortage in most of the important public and private sector areas such as the medical field, higher education and technology-related areas. The argument has been raised that offering scholarships to engineering students, who, upon completion of their studies are obliged to work for Namdeb to 'repay' their scholarships should not be considered CSR. However, the opposing argument is that in a country with an unemployment figure of more than 50% such an initiative is crucial for economic and social development. In other words, regardless of whether this is seen as CSR or only a one-sided strategy of Namdeb, some young Namibians have the opportunity to obtain an education and to have a job. However, as the action is seen as strategic, it creates some suspicion that it is all about the company itself and that it does not truly care about its stakeholders or at least some of them.

The above prompts the question of which kinds of investments Namibians expect from Namdeb and De Beers. Some have made suggestions and others have put forward explicit demands. Suggestions include more investment in small and medium enterprises and CSR projects which are more sustainable on the long run. An outright demand is that Namdeb and De Beers invest more in skills development through investing in educational and/or training centres in the different regions of the country. Even though it is the Government's

responsibility to address these issues, many feel that the mining industry including the diamond mining industry should play a bigger role in this as a lot of profit is made is made through mining, as was discussed before.

In view of the above explanation it is observed that even the positive issues often have a negative side to them. However, some stakeholders also praise Namdeb for supporting communities. For example, the following respondent stated that:

*“It [Namdeb] has been really doing something, especially in schools. Every time you read they have donated some computers to a particular school, every time you read they have given some money to a particular school so that it can address some of the school needs. These are the type of things that we want”* (Respondent Civil Society and Civil Rights Organisations Representative, Respondent Nr. 27).

The De Beers representative also confirms that Namdeb is responsive to social needs and engages in CSR projects. He stated that:

*“... from the beginning I said development is Government’s responsibility principally. Now, if a small kindergarten in Usakos come to me and say they need to put a fence around their parameter, I mean for Government it is like ... there is no way they can go to Government because for Government it is a non-priority as long as they’ve got the building and the kids ... but I also understand, when I sit here and I ask how did that community feel about the fact that the kids are supposed to be in this kindergarten. People just walk right through the parameters of the school, it exposes the kids to all sorts of things, kids wander off etc. Then a fence becomes important ... ”* (De Beers Representative, Respondent Nr. 14).

The speaker explains that even though the Government is responsible for development issues, it apparently only provides the bare basics and that the company is willing to spend small amounts of money on such projects. He further acknowledges that the contribution to community projects are minute and that paying overall taxes to the Government makes a greater contribution:

*“What is the projected revenue from diamonds because that is still where it [the Government] gets most of its money, from diamond revenue. And so when people celebrate when we give a 200 thousand to this community or a 100 thousand to this community or ten bursaries or 15 bursaries ... I have been long enough in the business to know that that is a minute contribution towards society’s needs ... For me what is more important is that we meet our budgets, we meet our targets so that we can give government one billion, 1,2 billion that will make a real difference to Namibia”* (De Beers Representative, Respondent Nr. 14).

Perhaps then the view that Namdeb’s CSR is only an attempt to white-wash a dark

reputation is common as many of the stakeholders bringing up Namdeb and De Beers' CSR projects were of the opinion that it was a pure public relations exercise, as was mentioned previously.

Following is a discussion on the 'Environmental Issues' identified at Namdeb.

#### **5.2.1.4. Environmental Issues**

The environmental issues category contains five issues and a total of 36 instances counted which add up to 3% of overall legitimacy. Three issues are negative while two are positive with instances of 19 and 17 respectively. The most prominent issue is the 'destructive nature of mining' with a total of 12 instances recorded. As with all categories in this section, environmental issues are also introduced by an auto-ethnographic story followed firstly by negative environmental issues and secondly by positive environmental issues.

##### **5.2.1.4.1. Environmental issues through a personal lens**

I have been to the north-western parts of the Skeleton Coast on several occasions. It is beautiful and I find it a magical place. From Swakopmund to Walvis-Bay, a snake-like road cuts between the sunburnt Namib Desert to the left and the cold stormy Atlantic Ocean to the right. Indeed it is a place where natural extremes meet each other under an almost permanent blue and unpolluted sky. Sometimes, just by looking to the left, a mirage of the extreme desert heat is distinguished while at the same time, to the right, dense fog and cold sea breezes caused by the cold Benguela Current can be discerned.

It is called the 'Skeleton Coast' as scores of shipwrecks, some barely recognisable and others still in remarkably good condition can be made out against the background of the

ocean. Stories of ghosts in the mist and buried skeletons and hidden are rife. However, despite its arid and deadly appearance, the Skeleton Coast has a greater variety of species than many other parks in Southern Africa. Large mammals include Namibia's famous desert-adapted elephant, black rhino, lion, cheetah, giraffe, gemsbok, zebra, springbok and spotted and brown hyena. Smaller animals also thrive and include an armour-plated lizard that prowls the sand-dune sea in search of vegetation and the one metre long green turtle at the mouth of the Kunene River.

When I think of all the natural beauty, the vibrant wild-life and the historical beacons of the Skeleton Coast, I wish that it could stay as pristine. With regards to the safe-guarding of this area, the Namibian Government declared the entire Namibian coastline as a national park called the Namib-Skeleton National Park. It covers 26 acres, making it bigger than Portugal and the biggest national park in Africa and the eighth largest protected area in the world (Rowe, 2011). The park consists of three parts: the Skeleton Coast, the Namib Naukluft Park and the Sperrgebiet. The last is the area where all Namibia's diamond mining has been taking place and which is closed to the public.

I ask myself if the Sperrgebiet is as beautiful as the Skeleton Coast or whether it has been completely destroyed by diamond mining. I would love to visit it for myself but that is apparently not ever going to be possible. So, I have to rely on what others tell me. In descriptions of the area, the word 'carpet-bombed' and 'ugly' have been used. It sounds like a devastated lonely place that I would any way not want to visit. Yet, as a Namibian, I would like to have the choice.

On the one hand we need mining in Namibia. It is the biggest contributor to the GDP and also the industry which provide the most jobs. On the other hand, Namibia's bio-diversity and beautiful landscapes warrant protection and conservation. In fact, this is also promised in our National Constitution. I don't want us engage in irresponsible and unsustainable mining. Clichéd as it may sound, I want future generations of Namibians to be able to enjoy the same beauty which I behold when I visit the Skeleton Coast.

Following is a discussion of the negative environmental issues which has the potential of spoiling this natural beauty and life.

#### **5.2.1.4.2. Negative environmental issues**

Three negative environmental issues were discovered. These are 'destructive nature of mining' (12), 'off-shore exploration issues' (5) and 'not adhering to international standards' (2). In the case of the first issue "destructive nature of mining' (12), stakeholders and Namibians in general take for granted that Namdeb's mining operations destroys the environment but that the country's economic and social developments depends to a large extent on mining. The following interviewee explained it like this:

*"I mean I'm sure there are major impacts on the sea bed and in fact I hate mining just because mining is really rape, you know. But if you try and balance that against the economic good which it brings to the country and so long as that economic good is ... well ... is kind of equitably distributed then that's the price you pay. And as an environmentalist I like to see areas as natural as possible but humans can't live like that, I mean if we want to drive our smart cars and have our buildings and whatever, then mining is a necessary evil"* (Environmental Representative, Respondent Nr. 17).

This explains partly why it was found that generally Namdeb does not have a bad reputation with regards to its environmental responsibilities but rather that many stakeholders are frustrated as they feel that not much information is available to them.

Some of this is also reflected by problems brought up about De Beers' mining operations prior to 1993. For example one respondent who grew up in the area where mining took place and is still taking place, and who consequently worked for the Government on development issues expressed his feelings by recalling a recent newspaper article on the front page of a local newspaper showing a photo of large numbers of rusted tanks which De Beers left in the desert decades ago. The article was about Namdeb putting out a tender to interested companies to clean up some of the waste left in the dessert by De Beers over the decades it has been operational in the area. He said, while sighing all the time and gesticulating frantically with his hands:

*"If you look at ... De Beers has been, something that sort of bothered me ... we talk about this recycling tender ... It has been in the news for a while now about the diamond restricted areas. How long has that been going on and how much damage was done in a very fragile environment. And we will never know. It is not a transparent process. People will never know what was the damage done in the Sperrgebiet because of diamond mining. After how many years, now suddenly ... people look at it and say, oh, 600 million, it is a lot of money ... how much damage was done and how much profit was made or generated around those damages that were done. They have absolutely no idea [the Namibians] especially with marine diamond mining, they are destroying the seabed. They are sucking up tons and tons of gravel and where are they putting it back, so much damage is done to that environment. And in the end we had to live with these consequences, not even only our children, maybe even us already. In 20 years time if the diamonds are finished what are we going to do? We will have a big gap in the economy, we will have to suffer all those consequences ..."* (Academics and Research Institutions, Respondent Nr.12).

The quote above illustrates the frustration of some respondents who feel that Namdeb does not disclose much information about environmental matters including the effects of mining operations. For example, the speaker above explains that the Namibian people will never know what it looks like in the desert and what the effects of the mining on the environment are. The above speaker includes marine mining<sup>39</sup> in his critique which is practically completely replacing land operations and says that he fears that Namdeb might be destroying part of Namibian sea-life. The effects of this practice will only be known by the next generations he concludes. To him, as to many other Namibians, Namdeb is basically continuing with the same destruction that De Beers has been causing on its own before.

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<sup>39</sup> Marine mining in Namibia is conducted through De Beers Marine Namibia (DBMN) which is co-owned by the Government and De Beers. Recently, and as part of a long-term strategic alignment, the two shareholders signed agreements which allows the Government to increase its former shareholding in DBMN from 15 % to 50 % (Ntinda, 2011).

This perception of not knowing how profoundly and in which ways exactly mining affects the ocean-bed and sea-life in general is echoed by the speech of DBMN chairman Rob Smart at an official company event who stated that "Much as we want to think we do - we actually know very little about the ocean floor. We know more about the surface of the moon than the ocean floor, therefore, we are really mining in unknown territory," (pg. 1, Katswara, 2007). However, De Beers says that they are trying to curb damage as all operations are carefully considered and managed through the implementation of an Environmental Management System certified to the international standard ISO14001, in pursuance of the highest levels of environmental management (De Beers, 2011).

The above concern about not being able to see in person what the effects of mining are is further compounded by the fact that the areas where diamond mining takes place are restricted areas and a *Restricted Area Permit* is required by anyone wishing to visit as is stipulated in *The Namibian Diamond Act 1999*. This process to be followed and the reasons for it being in place were explained before. However, an additional reason given is that diamond theft is apparently rife at Namdeb (Kaira, 2008). This is a serious economic as Regional Magistrate Sunsley Zisengwe recently described diamond theft as a serious offence that is not only driven by "dishonesty and greed, but which has an adverse impact on the national economy" (pg. 1) as less money goes to the State coffers because of less taxes being paid to Government for each stolen diamond (Cloete, 2010).

Yet another point on the environment and transparency issues is brought up by another person, a journalist who actually had the opportunity to fly over the mining area because of his connections at Namdeb. He explained that the CEO of Namdeb was down-playing the

effects of mining on the environment. He claims that as he had the opportunity to see for himself, he knows what he is talking about as he has seen what some of the area looks like. He criticised a statement by Namdeb's CEO in which she explained that Namdeb was 'rehabilitating' the dunes after they were shifted for mining purposes:

*"She [referring to the CEO of Namdeb] was just saying what she had to [rehabilitating the dunes]. It [the skeleton Coast] looks like it has been carpet bombed. I flew over there because I pay a lot of attention to the Skeleton Coast for various reasons ... they just basically pushed all the tailing that they had there, pushed it together because they wanted to make it difficult for anybody else to come mine there. They put it on a big pile there and left it like that"* (Media Representative, Respondent Nr.3).

The fact that the CEO was contradicted by this respondent raises questions about the reliability of information on environmental costs.

It is also observed that Namdeb is vouching on behalf of De Beers by trying to correct its environmental errors from the past. However, an important government representative from the Ministry of Mines who specifically works on environmental issues suggested that maybe it is better to leave the environment alone as it rehabilitated itself over time. She argues that the damage De Beers caused happened over many decades and to correct it now might just have a negative impact all over again. She explained:

*"When it comes to environmental damage, I think we must go a bit back in history and we must not forget that Namdeb only exists from 1994 [but] diamond mining has been taking place in the area since 1908 ... That's a 101 years and during that time especially in the area between the Orange River mouth and about 100km's north of the Orange River mouth, has been completely modified. The sea has been pushed out, has been in certain areas, basically every grain of sand has been turned over there. But these things happened in the 20's ... no ... rather the 1930's until recently and you cannot possibly expect ... Well, first of all its simply impossible to fully rehabilitate these things. Luckily a lot of these things that went out to the rest of the high water mark, the sea is reclaiming it by itself, but those big heaps that were produced when they removed the sand from the underlying material that contains the diamonds [ ... ] I think with this context in mind, Namdeb is really doing a lot ... well because, I mean, I've seen areas that they, for example the pocket beaches area where it's not old mining but recent mining they have been rehabilitated and if you don't know that there was a mine, you will not see it. But to repair the damage that was done in the 1940's, 1960's, that is impossible. You can remediate it a bit but you cannot reverse the situation"* (Government Representative, Respondent Nr.18).



Besides, the question is raised of who would pay for the costs of rehabilitating the damage that De Beers has caused to the environment over time if this decision was made. For example, the same government representative from above asks:

***“ [ ... ] if Government or Namdeb were to flatten all these things, I mean who is going to pay for it and that is the big problem that we see with every mining operation. Usually towards the end of the operation, when your ores become lower grade, and your profits become smaller then you are asked to do rehabilitation which costs a lot of money and earns you nothing. So that is a bit of a problem”***  
(Government Representative, Respondent Nr.18).

Logically one would immediately answer that De Beers is of course responsible to carry the costs. On the one hand, when De Beers was operating in Namibia before, they were not legally held accountable for their actions as the South African Government, mindful of its reliance on mineral income, exempted the mining industry from environmental standards (Durning, 1995).

Another negative issue brought up is the concern that Namdeb and De Beers might be saying that they are rehabilitating the environment to the best of their ability but that Namibians will never know as they are not really monitored effectively. This concern is further highlighted as it was stated in the previous section that laws are in place, but that they are not adequately protecting the environment from the abuses of certain mining companies (Limpitlaw & Hoadley, 2009). In line with this is the following statement by another concerned stakeholder:

***“Well I think the concern is who is monitoring them (Namdeb) and if these monitoring systems are effective. One hears about environmental concerns when a mine is set up, is ongoing and one hears a bit when a mine closes down but the question is who monitors. I don't know if the Ministry of Environment is effective in doing that. And the Ombudsman actually has the environment as one of his areas of concern. But he seems to do very little on that. He says he gets very few complaints”*** (Academics and Research Institutions, Respondent Nr. 15).

To avoid that these issues negatively affect the company, both the Government and Namdeb need to be more transparent about the monitoring systems in place and explain to the public what they do exactly to address this issue. Some of this is explained in the

'Report to Stakeholders' but often it is not easy to get copies, very often these are not produced in a timely fashion and more often than not only details about the positive issues are prominent. This is explained by the same speaker quoted above:

*"Well, I think that possibly we need to look at the Companies Act in general in Namibia to make sure it is consistent with international standards and Namdeb must be subject to that and not be exempted from that. So that means that things like annual reports, even more so when there is state involvement should be very detailed and accounts and accounting should be very clearly revealed. I don't believe they are at the moment. We try to keep annual reports of these parastatals ... but sometimes they do not produce them and when they do often it is not a real annual report but more an internal document"* (Academics and Research Institutions, Respondent Nr. 15).

The issue 'not adhering to international standards' (2), was only brought up by two respondents. One of the individuals who brought up the issue suggested that politicians as well as mining companies like Namdeb say that they are adhering to standards but that they are not always doing it. To illustrate his point, he talks about how Weatherly Mining<sup>40</sup> has not adhered to standards by not repairing some of the environmental damage it has caused. The person speaking is a member of the Mine Workers Union who explained that he saw for himself what has been happening. He stated that:

*"... Politicians are there to give their own way of thinking and they can always try to defend their decisions but we have many companies ... let us look at Weatherly Mining, we said after the company have depleted all the resources it must make sure that all those holes, the dumps, the whatever they build in that area ... it must be serviced. If there is no any other continuous use of it then it must be filled with sand so that it can become an area to be used, but if you leave the holes that you have dig for so many years, you will leave a trench open, a very wide trench ... Do you think really that there is compliance, national or international? We have companies up till now that are still doing that"* Civil Society and Civil Rights Organisations Representative, Respondent Nr. 24).

In view of the above statement, it is clear that the respondent accuses mining companies in Namibia of not adhering to both national and international standards. This point will be further elaborated upon in the next section which takes a look at legislative issues in Namibia.

Next, the other side of the coin, positive environmental issues, are discussed.

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<sup>40</sup> Weatherly International plc is an international mining and exploration company with key operations in Namibia where it owns two copper mines as well as a number of development projects. It also operates elsewhere in Africa (Heita, 2010).

#### 5.2.1.4.3. Positive environmental issues

Only two positive environmental issues were identified. They are 'environmental policies & rehabilitation projects' (15) and 'cooperating with the Government on environmental issues' (2). It is interesting to note that both these issues were brought up only by the De Beers representative and some Government representatives. Two possible reasons for this exist – Firstly, both the De Beers and Government representatives might have felt compelled to talk about the positive environmental projects they are engaged in. In the case of the Government officials, it is their job to ensure that mining companies comply to environmental norms and laws and they wanted to confirm that they do. Secondly, other stakeholders did not talk about this because they simply did not know about any rehabilitation projects. This point was elaborated upon before in the negative environmental issues section as stakeholders remarked that they do not know what De Beers and Namdeb are doing in terms of restoring the environment.

In the case of the first issue, 'environmental policies & rehabilitation projects' (15), the De Beers representative remarked that:

*"We set aside a lot of money and I think Namdeb will be able to give you the statistics in terms of providing for rehabilitation, and providing for putting the environment back in the way we found it and some of the work we have done in the area of mining ... you'd be amazed. Where bulldozers were once running, we've ... the environmentalist have come and done some fantastic work by planting and putting back vegetation that was there originally and you can't recognise the place. I think De Beers is rightly proud of its track record in terms of putting back the environment in the way that it was found to best you possibly can, of course. Because mining by its very nature, you will disturb the environment that you find but no, we are immensely proud of the track record we have in terms of putting back in the environment"* (De Beers Representative, Respondent Nr. 14).

He continued to explain that De Beers continuously pay attention environmental issues by also working with well-known organisations which monitor mining effects on the environment:

*On an annual basis we have people that came in to do an audit on all aspects of our business to see whether we have compliance with norms globally and this is part of the entire De Beers group of companies and so far our environmental rehabilitation program, for example, for many years we have partnered with the CSIR which is the Council for Scientific Research that is based in*

However, as with CSR programs for example, environmental projects may also just serve as public relations and image enhancement actions. This observation is made in view of the following statement of Namdeb’s CEO:

*“Now, if your clients were to discover that these diamonds that they highly price and they value are mined in a way that destroy the environment or the surrounding communities, you can imagine the damage and nowadays the consumers are very aware of the impact of their consumption behaviours on developing countries, on the environment. And so for us it is highly, highly critical that we comply and go beyond just a normal compliance so that we can maintain the image and we don’t make any compromises. Our environmental budget is for example N\$ 120 million; people are asking why you are spending 120 million to rehabilitate an area which you are going to be walking away from it in ten years’ time. So, wherever we are, whatever we do today should not hound us when we go else were in the future. We don’t want to leave a negative legacy we want a positive legacy. So it is expensive now but we believe it will pay off in the future because the world is becoming environmentally more sensitive, more aware of such as child labour, the way you behave towards your host governments, if you misbehave here you cannot run away and go to Russia. They will look at what was your reputation when you were in Namibia and that will set whether or not they will welcome you ...”* (Inge Zaamwani-Kamwi, CEO of Namdeb).

In this case it is clear that having environmental policies and rehabilitation projects in place, is rather a pragmatic action than a moral one. According to the above statement, the reason for paying attention to the environment is first and foremost to protect its reputation as both present and future business depends on it. This issue will be further discussed in the legitimacy types section.

For now the last type of issue, ‘Legislative Issues’ are discussed.

#### **5.2.1.5. Legislative Issues**

This category would normally include both issues related to the laws of the country as well as international law as the diamond mining industry is included in for example trade issues and international commerce. However, in the context of this study, only one issue related specifically to Namibia’s laws was identified. This is a negative issue, ‘laws in place but not necessarily implemented and applied’ with a total of 17 instances counted. In view of

the above, this section only consists of two parts - Firstly legislative issues are introduced through a personal lens and secondly, the one broad negative issue is investigated.

#### **5.2.1.5.1. Legislative issues through a personal lens**

I am worried when I hear that Namibia is hailed as a country with great laws when it is a well-known fact that most of these wonderful laws only exist on paper. I am disappointed when a Government minister compares Namibia to other African countries and declare that is he quite proud as we are doing much better than many of our African counter-parts. Perhaps this is true, but what a yard-stick! What does it say about us when we have to compare ourselves to governments which are often known for corruption, incompetence and general low moral standards? In the early nineties I used to get upset when some of my fellow Namibians were very critical of the new Government. I thought they were too harsh and all too quick in their judgment.

However, over the past two decades of independence, I grudgingly and gradually changed my point of view as if in slow-motion, and came to a halt at the point where I am now – desperately disillusioned. I recognise that some positive changes took place but a multitude of other issues, including matters involving our legislature and judiciary systems, are now plaguing the country. Today these are in disarray as cases drag on for years, some laws are only voted into existence because of the SWAPO majority in parliament and the question about political influence over judicial decision-making is also a serious one (see for example Von Doepp, 2008). And to top it all, it seems as though all the positive energy and camaraderie which was experienced in the early nineties by people from different creed and even colour, vanished completely.

In the next section some of these issues discussed above are further explored.

#### **5.2.1.5.2. Negative legislative issues**

Only one legislative issue was identified - 'laws in place but not adhered to' (17). The issue was discussed in detail before and refers to the fact that many of Namibia's laws only exist on paper and are often not implemented and/or regulated. This issue obviously affects Namdeb's legitimacy as it is negative. The issue was brought up by 14 respondents representing five different stakeholder groups.

Before looking at the details of some of the concerns of respondents, a quick overview of Namibia's relevant mining laws and policies is given. First of all, the Namibian mining industry operates under the provisions of *Minerals Act of 1992*. With regards to the environment, for example, this Act provides for issuance of Environmental Contracts, the production of Environmental Impact Assessments and production of Environmental Management Plans. Furthermore, Namibia also has environmental legislation enacted in December 2007. The Ministry of Environment and Tourism is responsible for implementation of the Act.

Secondly, in the context of this research, *The Diamonds Act, 1999 (Act No. 13 of 1999)* also plays an obvious important role. It provides for the establishment of a board to be known as the Diamond Board of Namibia; to define the objects and the powers, duties and functions of the said Board; to provide for the establishment of a fund to be known as the Diamond Board Fund; to provide for the establishment of a fund to be known as the Diamond Valuation Fund; to provide for the management and control of the said Funds; to provide for control measures in respect of the possession, the purchase and sale, the

processing and the import and export of diamonds; and to provide for matters connected therewith.

However, as mentioned before, these laws are in place but many stakeholders are of the opinion that these are unfortunately not always completely and/or properly implemented and/or monitored. This is understood from the following statement:

*"You see, my view is that we have policies ... we have good policies in this country. There is nothing wrong but my problem is with the implementation of these policies. And that to me is a big concern. We ... what we see on paper compares with the best in the world but when it comes to implementation, it is a totally different story. So yes, there are good policies but the implementation is a problem to me"* (Academics and Research Institutions, Respondent Nr. 15).

Another respondent, a lawyer, agreed with the above and specifically talked about laws and policies related to the mining industry. He stated:

*"Well there are policies in place but in terms of oversight bodies and effective control ... one would say that the emphasis is more on ... if one can say on like the small criminal elements, you know that want to take advantage of resources like diamonds but companies or even government officials that are in positions to ... that are in a position to decide on these things for example, rights, exploration rights or even mineral rights. There's not much control over them. The Office of the Ombudsman that is responsible, constitutionally responsible, to safe-guard Namibian resources for future generations and also to look at the sustainable development of these resources, are not effectively empowered to deal with this ... to actually play an oversight and control duty. So there are huge short-comings. Although we have policies, there are short comings in terms enforcement"* (Civil Society & Civil Rights Organisation Representative, Respondent Nr.7).

The speaker is also saying that the emphasis of the mining related laws and policies are often not efficient as these are more focused upon diamond dealers and other smaller issues in society and not on the real issues such as the fair allocation of mining rights. In addition, he cites another problem which is the work capacity of for example, an important overseeing body such as the Office of the Ombudsman to monitor laws. In Namibia the Office of the Ombudsman has a limited budget which results in a shortage of efficient staff, inability to attend to all issues and complaints at hand and a lack of research (Blaauw, 2009). In actual fact it is vital for the independence of the Ombudsman to have a budget

that is sufficient to carry out the functions as set out by the law. If this is not so then the Ombudsman is obviously incapable of carrying out the necessary investigations.

Another and maybe even more serious problem identified is that it is observed that De Beers is considered powerful enough to influence the laws of the country by some stakeholders. Regarding this, a legal expert who closely works with the Government on matters of legislation said:

*“From what I have seen ... for example with the issue of the Diamonds Act, the passing of the Diamonds Act, there was some real pressure on government ... and there were also some exemptions that were given to De Beers. I do not think that one can call it good but I feel that some pressure was exerted on the Government to ... to give in to the demands of De Beers. So I do not think that it is an equal partnership to put it that way”* (Civil Society & Civil Rights Organisation Representative, Respondent Nr.7)

The speaker basically says that in his opinion, the Government was coerced into giving, for example, exemptions to De Beers illustrating its power and influence over the Government. The same observation is made by another respondent from academia. He said:

*“... they (De Beers) is a very strong player in the Namibian economy but also in the regional economy and there are signs that they have actually been able to limit and control government policy. For example, in 1999 it was De Beers' pressure that stopped sections of the Diamond Act being implemented which would have required ... what is happening now with the sale of local diamonds to local cutters and polishers. So I mean it happened eventually but they were able to delay that by almost a decade for their own interest so they are a powerful player because they contribute so much to government's tax coffers* (Academics and Research Institutions, Respondent Nr. 15).

This is the type of issue which can cause serious damage to Namdeb and De Beers because stakeholders ask questions about the right of a company to interfere with the process of law enactment and the laws of the country, and even more importantly to raise questions about its power over the Government. Indeed such an issue, if not paid attention to, may seriously undermine the dominion of the Government.



In fact, the above issue is directly linked to the different 'hats' which the Government is wearing as shareholder in De Beers and as custodian of Namibia and its people. For example, on the one hand, as a democratically elected government, it has the responsibility to take care of Namibia and Namibians by formulating, implementing and regulating laws and on the other hand it has a shareholder role in Namdeb which is linked to the maximisation of profits. As the De Beers representative him-self remarked:

*"[ ... ] the problem is not so much for the private sector partner. The problem comes for Government because Government sometimes has to wear two hats: one as the investor, business person and one as the regulator and sometimes those two things come in conflict and I think we've been going through a process of very interesting discussions with Government over the last two years and that has come up quite strongly that there is often this conflict between the regulator and the business partner"* (Respondent nr. De Beers Representative).

This issue was discussed in great detail under 'governance issues related to the PPJV structure' (219) in the political issues section.

Yet another legislative issue raised by a respondent from civil society, more specifically the mineworkers union, is that laws to force companies to comply with assisting the Government with, for example, infrastructure and development of the people, are lacking in the country or that it might be implemented but not regulated. He states that this is an expectation from society. Apparently some companies already engage in such activities while others are resisting:

*"Yes, the law is there that companies must share their profit or their wealth with the Namibians. That is to say, to pay royalty or taxes or whatever you can name it, but as I said earlier that because of lack of regulation sometimes, or a policy sometimes that will enforce compliance, I believe that whether there is a call by Government to do so. Like Government is calling all the companies, including mining ... they must assist Government in providing a sufficient infrastructure and empowering the people, even by the simple factor of housing them. You can see that some other companies, yes are, they are in compliance but some other companies are not in compliance"* (Civil Society and Civil Rights organisations, Respondent Nr. 24).

The main implication for Namdeb and De Beers is that all of the respondents who brought up this issue of 'laws in place but not always implemented & applied' (17) were of the opinion that Namdeb and De Beers might be benefitting from this problem in Namibian

society. It is argued that it is against the rules of society and also illegal to benefit from the fact that many laws are not implemented and monitored. In view of this, it is in both Namdeb and De Beers' interest to always pay attention to this issue as even though the laws are not effectively implemented and monitored, some stakeholders are aware of these being ignored in certain situations.

This point concludes this chapter but the general discussion is continued in the next chapter. For now, a summary of what has been discussed in this chapter is given below.

### **5.3 Summary**

The above investigation of the types of issues affecting Namdeb's organisational legitimacy opened the way for further discussion. In other words, the foundation for a more detailed and profound investigation was laid with the aim to eventually and effectively answer the research question. Consequently, in the following chapter which is accordingly titled "Part II – Results of Investigative and Research Questions", the discussion started in this question continues with the answering and discussion of investigative questions 2-5.

### 6.1 Introduction

As explained above, this chapter continues the discussion of the results started in the previous chapter by the introduction of investigative question 1. It is divided into three parts. Firstly, investigative questions 2-5 (Table 6.1 below) are discussed. Secondly, the research question, *'To what extent can external issues affecting Namdeb's legitimacy be identified, classified, influenced and managed?'* itself is answered. Finally a short summary of the chapter is provided.

**Table 6.1. Investigative Research Questions**

<i>Q1 – Which types of external issues affect the legitimacy of Namdeb?</i>
<i>Q2 – What is the frequency and ranking of the different external stakeholder issues affecting Namdeb's legitimacy?</i>
<i>Q3 – What is the frequency of the different types of legitimacy as mentioned by Namdeb's external stakeholders?</i>
<i>Q4 – Does the proposed legitimacy types based on Namdeb's external stakeholders' statements correspond with Suchman's (1995) description of legitimacy types?</i>
<i>Q5 – How can Namdeb manage its legitimacy by employing the proposed typology of organisational legitimacy introduced above?</i>

Following from the above, Question 2 is investigated below.

<b>6.2 Q2 – What is the frequency and ranking of the different external stakeholder issues affecting Namdeb’s legitimacy?</b>
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In Table 6.2 below, the 48 issues having a bearing on the organisational legitimacy of Namdeb continue be discussed by considering the separate rankings of the issues which are based on the number of instances counted. Of the top ten issues, eight are political. This is significant because the total number of political issues is 19 meaning that nearly 50% of political issues are amongst the top ten issues over a total of 48 issues. These political issues are ‘governance issues related to the PPJV structure’ (219), ‘transparency issues’ (85), ‘corruption’ (75), ‘accountability issues’ (44), ‘not all stakeholders are included’ (40), ‘ownership of diamonds’ (37), ‘political interference’ (34) and ‘CSR seen as public relations’ (34). In view of these results, and as observed before, political matters at Namdeb are considered to play a serious role on Namdeb’s overall organisational legitimacy. This is discussed even further in the moral-political category to follow.

The most important issue which is both negative and political, ‘governance issues related to the PPJV structure’ (219), surpasses the second most important issue ‘high profits and lack of reinvestment’ (111) by nearly more than twice the number of instances. This issue is counted so many times because, in fact, it encapsulates a number of sub-issues such as the perceived unequal partnership between De Beers and the Government and the latter’s conflicting role as equal shareholder of Namdeb and its function of custodian of society and the environment. Another factor which plays a role in the high count of instances is that several stakeholders brought up matters concerning the structure of Namdeb because they are of the opinion, for example, that the company and its shareholders do not inform them enough about issues regarding the appointment of board members, the profits Namdeb make and the percentage of profits De Beers spend on CSR projects.

**Table 6.2. The frequency of issues affecting Namdeb's organisational legitimacy**

Issue	Type of Issue	Instances
1. Governance issues related to PPJV structure	Political	219
2. High profits & lack of reinvestment	Economic	111
3. Transparency issues	Political	85
4. Corruption	Political	75
5. *Driving economic development	Economic	68
6. Accountability issues	Political	44
7. Not all stakeholders are included	Political	40
8. Ownership of diamonds	Political	37
9. Political interference	Political	34
10. CSR seen as public relations	Political	34
11. Resource curse	Economic	33
12. Paying taxes not enough	Economic	31
13. *Responsiveness to social needs & implementation of CSR projects	Social	29
14. Local communities do not benefit	Political	29
15. Reputation of the diamond industry	Economic	25
16. Distrust from society	Political	24
17. Reputation and power of MNCs	Political	18
18. Laws in place but not always implemented & applied	Legislative	17
19. *Environmental policies and rehabilitation projects	Environmental	15
20. Finiteness of diamonds	Environmental	13
21. Government's investment regime too lenient	Economic	12
22. Destructive nature of mining	Economic	12
23. *Good corporate governance	Political	12
24. Internal Staff Issues	Political	11
25. Cost of Mining	Economic	10
26. * Investing in Sustainable Projects	Environmental	10
27. Mine Closure	Social	9
28. Most of Namdeb's employees not from the region	Political	9
29. Reputation of Parastatals	Political	8
30. De Beers & Namdeb reactive instead of proactive	Political	7
31. Sharing Know-how with the government	Political	7
32. Off-shore exploration issues	Environmental	5
33. No specific Development funds	Economic	4
34. De Beers' technical know-how	Economic	4
35. Not planning well for international market fluctuations	Economic	4
36. Infringing on the rights of people	Social	3
37. Diseases	Social	3
38. View that government should not be involved in business	Political	3
39. Diamond mining skewing development	Economic	3
40. *Cooperating with the government on environmental issues	Environmental	2
41. Not adhering to international environmental standards	Environmental	2
42. *Improved Public Relations	Political	2
43. Mine Fatalities	Social	1
44. Putting strain on Water and Electricity Supplies	Social	1
45. *Training Employees	Economic	1
46. Unfair Competition	Economic	1
47. *Safety Measures in Place	Social	1
48. Disregarding unprofitable operations even if people profit	Economic	1

\* Positive Issues

The first positive issue mentioned ranks number five and is an economic issue. This is 'driving economic development' (68) which demonstrates the economic importance of Namdeb predominantly in terms of GPD contribution and job creation. As was mentioned in the previous chapter, Namdeb pays more in taxes and royalty fees than other companies and is indeed the biggest contributor to the GDP. Many stakeholders are aware of the economic impact of Namdeb and praise the company for its overall economic contribution which eventually serves to fund both social and economic development.

Issues situated around the middle of the matrix include a mix of environmental ('the destructive nature of mining' - 12); political ('good corporate governance' – 12, 'internal staff issues' - 11), economic ('cost of mining' – 10, 'investing in sustainable projects' - 10) and social (mine closure' - 9) issues. The closeness in number of counted instances indicate that that issues are ranked practically equally by the stakeholders.

The last six issues have only been mentioned once each. These are 'mine fatalities', 'putting strain on water and electricity supplies', training employees', 'unfair competition', 'safety measures in place' and 'disregarding unprofitable operations even if people profit'. Of these six issues, three are social and three economic. It was found that even though these issues were mentioned only once, it does not make them less important. Instead, attention should be paid to these issues by Namdeb management because if they are ignored or not taken seriously, Namdeb's legitimacy can be negatively affected. For example, in the case of 'mine fatalities' it is argued that stakeholders do not consider mine fatalities a problem. It is argued that this boosts the perception of stakeholders that the company is responsible towards its employees in terms of safety. In the case of 'training employees' it is argued that more respondents did not bring up the issue because they take employee training for granted and as part of the company's everyday operations.

Now that the issues affecting legitimacy were identified, classified and ranked, a look is taken at the frequency of the different types of legitimacy as mentioned by the various stakeholders, in answer to Question 3.

6.3

**Q3 – What is the frequency of the different types of organisational legitimacy as mentioned by Namdeb’s external stakeholders?**

The frequency of the different types of organisational legitimacy (according to Suchman’s types) as mentioned by Namdeb’s 41 interviewed stakeholders is summarised in Table 6.3. below. The discussion of this section is two-fold - firstly, a summary of the results are put forward and secondly, the frequency of the three different types of legitimacy are separately discussed.

The statements of nine stakeholder group representatives were examined with regards to the three types of organisational legitimacy at Namdeb. As was mentioned before, Table 6.3. below again shows the total of 48 issues identified and the 1129 instances which were counted. As can be seen, moral legitimacy is by far the most prominent type of legitimacy mentioned by Namdeb’s stakeholders interviewed with a total of 79%. Pragmatic legitimacy and cognitive legitimacy account for 16 and 5% respectively.

The *Industry & Business-Related Organisations* and *Academics & Research Institutions* group account for the most instances of issues related to the different types of legitimacy. This is predominantly related to the number of respondents interviewed as these two stakeholder groups were represented by more respondents and not necessarily due to these groups having so much more to say about issues affecting organisational legitimacy. However, these two groups added greatly to the value of the research as their input stems from their direct concern with issues affecting Namdeb. For example, most of the *Industry*

*& Business-Related Organisations* representatives interviewed work directly with Namdeb and are naturally concerned with and knowledgeable about its operations while participants from the *Academics & Research Institutions* group have actually directly or indirectly engaged in research on Namdeb, the diamond industry and its general impact on the Namibian economy and society.

**Table 6.3. The frequency of references to moral, pragmatic and cognitive legitimacy by stakeholder group**

LEGITIMACY TYPES Total Issues - 48	MORAL LEGITIMACY Total Issues - 26		PRAGMATIC LEGITIMACY Total Issues - 15		COGNITIVE LEGITIMACY Total Issues - 7	
STAKEHOLDERS 9 TYPES	Number of respondents addressing the issue	Number of instances	Number of respondents addressing the issue	Number of instances	Number of respondents addressing the issue	Number of instances
<b>De Beers</b> Total Respondents (1) Total Instances (59)	1	49 (5%)	1	10 (6%)	0	0
<b>Government of Namibia</b> Total Respondents (6) Total Instances (122)	6	85 (9%)	5	30 (16%)	5	7 (13%)
<b>Karas Community</b> Total Respondents (4) Total Instances (103)	4	94 (11%)	1	9 (5%)	0	0
<b>Oranjemund Community</b> Total Respondents (5) Total Instances (87)	5	71 (8%)	1	12 (7%)	1	4 (7%)
<b>Industry &amp; Business Related Organisations</b> Total Respondents (5) Total Instances (241)	5	194 (22%)	7	36 (19%)	5	11 (21%)
<b>Civil Society &amp; Civil Rights Organisations</b> Total Respondents (5) Total Instances (154)	5	125 (14%)	3	25 (13%)	2	6 (12%)
<b>Environmental Organisations</b> Total Respondents (2) Total Instances (49)	2	35 (4%)	2	8 (4%)	2	6 (12%)
<b>Academics &amp; Research Institutions</b> Total Respondents (10) Total Instances (254)	10	194 (22%)	10	47 (25%)	8	13 (25%)
<b>The Media</b> Total Respondents (3) Total Instances (58)	3	43 (5%)	3	10 (5%)	2	5 (10%)
<b>TOTAL Respondents (41)</b>	41 (100%)		33 (80%)		25 (61%)	
<b>TOTAL Instances (1129)</b>		890 (79%)		187 (16%)		52 (5%)

At the other end of the spectrum, the *Environmental Organisations* representatives, the *Media* and the *De Beers Representative* were responsible for the least instances counted. Again, this is mostly related to numbers as these groups had the lowest number of



representatives. However, their contribution was just as significant as they introduced important points, especially some related to their specific area of expertise and professional positions held. This was taken into consideration throughout the analysis process and the consequent discussion of the related results.

Following is an explanation of the frequency of the three types (moral, pragmatic and cognitive) of organisational legitimacy at Namdeb.

### **6.3.1 Stakeholders mentioning moral legitimacy**

100% of Namdeb's stakeholders mentioned issues related to moral legitimacy. It is argued that moral legitimacy is so pronounced at Namdeb because it is in fact Namibian society, including the company's stakeholders which evaluate the company's actions according to the values and norms of society. As moral legitimacy can be narrowed down to what is 'right and wrong', it is easy to find examples of issues which can be categorised according to these criteria. Broadly the stakeholders fell into three categories – those who found that Namdeb engages in 'wrongful' behaviour were in the majority while those who were of the opinion that the company was doing 'both good and bad' were a smaller group, and finally those who thought that Namdeb engages in predominantly good actions were in the minority. This group includes, not surprisingly De Beers and Government Representatives.

The stakeholder group *Industry & Business-Related Organisations*, with a total of five respondents, is responsible for the most instances counted in this category (204). This is a total of 22% of overall moral legitimacy instances. It is argued that this stakeholder group knows the private sector and its characteristics very well as they directly deal with it on a daily basis. This group also includes two experts on the diamond mining industry who

raised important issues related to moral legitimacy. The second most important stakeholder group in this section is the *Academics & Research Institutions* group. A total of ten individuals were interviewed and 196 instances of moral legitimacy were counted. Two reasons for the prominence of this group stand out. Firstly, it is the stakeholder group with the most representatives so the obvious observation is that numbers play a role in the prominence of this group. Secondly, the *Academics & Academic Institutions* group include many experts on Namibian politics, economics and society and were able to point out many issues which have a bearing on Namdeb's moral legitimacy. Most of the researchers have also actually conducted studies on the natural resources industry and the Namibian public and private sectors in general.

The *Media* and *Environmental Organisations* stakeholder groups account for the least number of instances, 43 and 35 respectively. This is mostly because these groups also had the least representatives, three and two, in that order. However, in the case of the environmentalists interviewed, it is argued that they specifically brought up issues related to the environment only. This will be further discussed in a later section under the section 'Moral-Environmental' issues.

This leads us to the next discussion which is on the frequency of pragmatic legitimacy.

### **6.3.2 Stakeholders mentioning pragmatic legitimacy**

Even though pragmatic legitimacy is the second most prominent type of legitimacy at Namdeb, it only counts for 16% and was mentioned by 33 of the total of 41 respondents, adding up to 80% of total interview respondents. The stakeholder group which mentioned instances of pragmatic legitimacy the most is the 'Academics and Research Institutions'

group with a total of 37 instances counted. The second and third groups are the *Government of Namibia* with 30 instances and *Industry & Business-Related Organisations* with 26 instances counted.

For the first and second groups, it can be argued that the higher number of instances related to pragmatic legitimacy counted is not only based on the higher number of respondents, but also on the fact that the respondents of these two groups were also more vocal as they have a lot of knowledge about exchange and mutually beneficial business and society relationships which of course include Namdeb. In the case of the Government as stakeholder, the observation is made that government officials and other representatives interviewed understand the 'pragmatic' nature of Namdeb's PPJV structure and therefore had more to say than some other respondents about this. Most of these respondents deal with Namdeb on a daily basis and they shared interesting viewpoints related to Namdeb's legitimacy and expanded the discussion on pragmatic legitimacy greatly.

For the *Oranjemund Community* group, only one out of the five respondents mentioned pragmatic legitimacy with a total of 12 instances or 7% of total pragmatic legitimacy instances. It is nearly the same for the other community group, the *Karas Community* with only one of four respondents mentioning issues related to pragmatic legitimacy and accounting for nine instances counted or 5% of total pragmatic legitimacy. This statistic reflects one of the constraints of this research as no face-to-face interviews were conducted with this stakeholder group. This issue was explained in detail in the previous chapter. However, the representatives from these groups nevertheless provided interesting information regarding the exchange relationships between Namdeb and the community members. The same types of issues related to pragmatic legitimacy were also raised by the

*Civil Society & Civil Rights Organisations.* Three out of five respondents mentioned issues related to pragmatic legitimacy and a total of 13 instances were counted.

However, a further important question is firstly raised about those stakeholders who benefit from direct exchange relationships, and secondly those who do not. This is logically an important question to ask as for example, in the first case, pragmatic legitimacy is conferred to the focal company by those stakeholders who benefit politically, economically or socially through strategic exchange relationships with the company in question. In the context of this research, the stakeholder group with a direct link to Namdeb (company shareholder) which accord the biggest percentage of pragmatic legitimacy is the *Government of Namibia* group with 16%. It is postulated that the Government representatives highlighted the positive aspects of the PPJV and accorded pragmatic legitimacy because of their professional positions as well as their loyalty to SWAPO, the main political party. In the first instance, it was found that the Government employees put a lot of stress on the strategic benefits of the PPJV partnership because it their mandate to do so. Also, to highlight weak points would be admitting directly that they themselves are not being effective and efficient in doing their jobs. In the second instance, most Government employees, especially those in the higher positions who were interviewed, are all SWAPO members who are very loyal to the Government as well as to the political party. This fact was discussed in detail previously in the methodology chapter.

Finally, the frequency of cognitive legitimacy is discussed.

### 6.3.3 Stakeholders mentioning cognitive legitimacy

Cognitive legitimacy accounts for a mere 5% of total organisational legitimacy. This is because cognitive legitimacy rests on the notion of 'taken for grantedness' and in reality there are simply not many political, economic and social aspects which are just 'taken for granted'. Most of the identified issues are related to the mining industry and the related 'costs of mining' (10), 'finiteness of diamonds' (13), 'diamond mining skewing development' (3), 'mine closure' (12) and on a more positive note 'De Beers' technical know-how' (4).

25 Interviewees or 61% of Namdeb's respondents mentioned issues related to this type of legitimacy. As with the other types of legitimacy, *Academics & Research Institutions* and *Industry & Business Related Institutions* are also the most prominent in this section with respectively 25 and 21% of total cognitive legitimacy instances. The same reasons related to the number of respondents and knowledge relevant to Namdeb's organisational legitimacy are repeated. It is also observed that in the case of all the statements made by representatives of the *Industry & Business Related Institutions* and *Environmental Institutions*, with regards to cognitive legitimacy, the raised issues specifically refer the diamonds mining industry and the cost related to it, for example, 'destructive nature of mining' (12) and the 'finiteness of diamonds' (13). It is argued that these representatives have reliable knowledge about what should and what should not be 'taken for granted'.

Of the six Government representatives interviewed, five made reference to issues related to cognitive legitimacy. A total of seven instances were counted translating into 13% of total cognitive legitimacy instances. It is argued that Government representatives are of the opinion that some issues, such as the fact that diamond mining is needed for economic and social development, even though it is known that the costs are quite high, are irreversible

and that Namibians just have to accept it. It was also observed that some government officials made statements which showed that to them, the Government is always right, has been elected democratically into power and therefore knows what is best for Namibia and its people<sup>41</sup>. A similar point referring to Government employees' loyalty and positive comments about Namdeb has also been raised in the context of pragmatic legitimacy before. This is disputable of course but is not discussed in detail in the context of this research.

Cognitive legitimacy is also the first type of legitimacy where some stakeholder representatives did not raise any issues related to the type of legitimacy. For example, all *Karas Community* respondents and the *De Beers* representative had nothing to say which could be linked to cognitive legitimacy. In the case of the former, the *Karas Community*, it is argued that matters classified as moral are, for example, more important to them. For instance, in view of the current state of affairs such as the high unemployment rate mentioned before (51%) and the perception that Namdeb does not necessarily employ people from the Karas region, is a more pressing and important problem. Indeed this issue has been categorised as a pragmatic issue and in the next section it will be further illustrated that it is without a doubt a pragmatic-political problem. In view of this explanation, to take matters 'for granted' as the cognitive type of legitimacy is described, is much more difficult. For example, it is difficult to accept that the exploitation of diamonds is an absolute necessity for the economic and social development, especially if the perception is held that the community where the mining takes place does not benefit, at least not directly. These types of issues have been classified for example under 'cost of mining' (10) and 'finiteness of diamonds' (13). In the case of the latter, *De Beers*, it can be argued that the representative interviewed simply did not want to make statements which

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<sup>41</sup> See Friedman (2011) for an ethnographic study on Namibian politics which includes an explanation of the SWAPO party and the Government.

could be considered as dictating to stakeholders that they just need to accept things because 'it is just the way things are'.

Another important point, linked to the above point, is to keep in mind the fact that cognitive legitimacy is not necessarily mentioned by certain stakeholder groups such as the Karas community simply because it is not a type of legitimacy which is commonly brought up. For example, during the course of this research it was found that cognitive legitimacy is strongly linked to political and corporate rhetoric used by powerful stakeholders such as the Government and multinationals such as De Beers. For instance, it is also easy for a company such as Namdeb to talk about the inevitable 'costs of mining' (10) and the 'destructive nature of mining' (12) which have to be endured in order to boost economic and social development. It is therefore evident that the fact that *Karas Community* members do not mention cognitive legitimacy related issues is not necessarily related to education levels but rather to the instrumental usage of communication to convey the importance certain issues in order to garner cognitive legitimacy.

The discussion thus far has covered the issues affecting legitimacy identified. Furthermore, an overview of the frequency of Namdeb's organisational legitimacy and the number of times issues were mentioned by the different stakeholder groups were mentioned. In the next sections, however, investigative questions 4 and question 5 which specifically address the typology of legitimacy developed in this research are covered. These questions and their answers are closely linked as will be seen in the following sections.

Following is the answer to question 4 which raises the question of whether the proposed legitimacy types correspond with Suchman's (1995) legitimacy types.

**6.4. Q4 – Does the proposed legitimacy types based on Namdeb’s external stakeholders’ statements correspond with Suchman’s (1995) description of legitimacy types?**

The answering of this question necessitates two steps – in a first instance an overview of the legitimacy types identified and classified according to this research are put forward. This refers to the issues classified according to the proposed typology of legitimacy. In a second step, these are compared with Suchman’s (1995) typology.

In view of the above, following is explanation of the alternative typology of legitimacy and the types of issues influencing each type of legitimacy proposed in this research.

**6.4.1. An explanation of the proposed alternative types of organisational legitimacy**

Table 6.4. below illustrates the alternative typology of legitimacy and the types of issues influencing each type of legitimacy developed. As shown, the typology consists of 15 types of legitimacy. It was developed by combining the three principal legitimacy types with the five kinds of issues (political, economic, social, environmental and legislative). Consequently, each type of legitimacy exhibits a two-dimensional character – it firstly refers to the legitimacy type and secondly, the nature of the issues identified in terms of political, economic, social, environmental and legislative dimensions. In order to avoid a repetition of the issues already discussed previously, this part is approached by specifically analysing why certain issues fall under these categories by taking into consideration the nature of the issues. Following is an explanation of these types of legitimacy and their sub-types. Moral legitimacy is firstly explained.



#### **6.4.1.1. Moral Legitimacy Types**

As mentioned before, moral legitimacy is the most prominent type of legitimacy at Namdeb. A total of 26 over 48 issues are classified as moral legitimacy with a total of 890 instances counted, translating into 79% of total organisational legitimacy. As stated previously, this type of legitimacy holds a pro-social logic which refers to the fact that it depends on moral judgments about whether it is the 'right thing to do' in the eyes of stakeholders and society in general.

In view of this, the specific moral issues identified range from the most important such 'governance issues related the PPJV structure' (219) and 'high profits and lack of reinvestment' (111) to some of the least important which include '\*having safety measures in place' (1) and 'not adhering to international environmental standards' (2). When combining these issues based on moral legitimacy and the nature of the issue according to political, economic, social, environmental and legislative measures, the result is five two-dimensional types of moral legitimacy: moral-political, moral-economic, moral-social, moral environmental and moral-legislative.

Of the five types of moral legitimacy developed, 'moral-political legitimacy' which is also the most dominant is discussed firstly.

**Table 6.4. A proposed typology of organisational legitimacy**

	<b>POLITICAL - 19</b> Instances (698) 62%	<b>ECONOMIC - 16</b> Instances (331) 29%	<b>SOCIAL -7</b> Instances (47) 4%	<b>ENVIRONMENTAL</b> -5 /Instances (36) 3%	<b>LEGISLATIVE -1</b> Instances (17) 2%
<b>MORAL LEGITIMACY</b> 79% Total Issues (26) Instances (890)	<b>Moral-Political</b> 63% <u>Over-all 51%</u> Issues – 12 Instances – 566	<b>Moral-Economic</b> 34% <u>Over-all 26%</u> Issues – 10 Instances – 299	<b>Moral-Social</b> 0% <u>Over-all 0%</u> Issues – 1 Instances – 1	<b>Moral- Environmental 1%</b> <u>Over-all 0%</u> Issues – 2 Instances – 7	<b>Moral-Legislative</b> 2% <u>Over-all 2%</u> Issues – 1 Instances – 17
	Governance issues related to PPJV structure (219) Transparency issues (85) Corruption (75) Accountability (44); Ownership of diamonds (37) Political interference (34) Distrust from society (24) Reputation & Power of MNCs (18); *Good corporate governance (12) Reputation of parastatals (8) De Beers reactive not pro-active (7); View that the gvt. should not do business (3)	High profits & lack of reinvestment (111) *Driving economic development (68) Resource curse (33) Paying taxes not enough (31) Reputation of the diamond industry (25) Government's investment regime too lenient (12) No specific development funds (4) Not planning well for international market fluctuations (4) Unfair competition (1); *Investing in sustainable projects (10)	*Having safety measures in place (1)	Off-shore exploration issues (5) Not adhering to international environmental standards (2)	Laws in place but not always implemented & applied (17)
<b>PRAGMATIC LEGITIMACY</b> 16% Total Issues - 15 Instances - 187	<b>Pragmatic-Political - 71%</b> <u>Over all – 11%</u> Issues – 7 Instances - 132	<b>Pragmatic-Economic - 1%</b> <u>Over all – 0%</u> Issues – 2 Instances - 2	<b>Pragmatic-Social - 19%</b> <u>Over all – 3%</u> Issues – 4 Instances - 36	<b>Pragmatic-Environmental - 9%</b> <u>Over all – 2%</u> Issues – 2 Instances - 17	<b>Pragmatic-Legislative - 0%</b> <u>Over all – 0%</u> Issues – 0 Instances - 0
	Not all stakeholders are included (40); CSR seen as PR (34); Local communities not benefitting (29) Internal staff issues (11) Most workers not from region (9) *Sharing 'know-how' with gvt. (7) *Improved PR (2)	Disregarding unprofitable operations even if people profit (1) *Training employees (1)	*Responsiveness to social needs & implementation of CSR projects (29) Infringing on the rights of people (3) Diseases (3) Mine fatalities (1)	*Environmental policies & rehabilitation projects (15) *Cooperating with the government on environmental issues (2)	
<b>COGNITIVE LEGITIMACY</b> 5%/Total Issues 7/Instances -52	<b>Cognitive-Political - 0%</b>	<b>Cognitive-Economic - 58%</b> <u>Over all – 3%</u> Issues 4;Instances 30	<b>Cognitive-Social - 19%</b> <u>Over all – 1%</u> Issues 2;Instances10	<b>Cognitive-Environmental 23%</b> <u>Over all – 1%</u> Issues 1; Instances - 12	<b>Cognitive-Legislative</b>
		Finiteness of diamonds (13) Mining Costs (10) Diamond mining skewing development (3) *De Beers' technical 'know-how' (4)	Mine closure (9) Putting strain on water and electricity supplies (1)	Destructive nature of mining (12)	

\* Positive Issues

### ***Moral-Political Legitimacy***

Moral-political legitimacy account for only 12 of the total 28 political issues but is indeed the most important category of legitimacy types with a staggering total of 566 instances out of the total 1129 instances counted. This means that moral-political legitimacy is responsible for 51 % of total organisational legitimacy and 63% of all moral-political legitimacy at Namdeb. Issues in this category are not only linked to governmental issues which obviously are predominantly political, but also include other issues related to power, political stakes and perceptions and expectations of stakeholders in view of the prominence of Namdeb in Namibian society. In other words, moral-political legitimacy reflect the highly volatile and dynamic nature of moral-political issues as it has to do with dynamic relationships, political factions and a persisting struggle over the control of natural resources and other sources of political and economic power. For example, the most important overall identified issue, 'governance issues related to the PPJV structure' (219) falls under this category and is linked to the Government's political mandate and responsibilities while other issues such as 'transparency issues' (85) and 'corruption' (75) are not necessarily directly and always linked to the Government.

Furthermore, as stated above, stakeholder perceptions also play a big role in the constitution of this category and include 'distrust from society' (24), 'reputation and power of MNCs'(18), 'view that the Government should not do business' (3) and '\*good corporate governance' (12). The latter issue, '\*good corporate governance' (12), is also the only positive issue in this category. This illustrates that in a moral-political environment, divisive and controversial matters are more often than not at the forefront because both political and moral issues are highly complicated and multi-layered affairs as is shown throughout this research, especially in the previous discussion titled 'political issues'.

This leads us to the next section, moral-economic legitimacy which is closely linked to moral-political legitimacy.

### ***Moral-Economic Legitimacy***

Moral-economic legitimacy is overall the second most important type of legitimacy with a count of 10 issues over the total of 48 issues. Indeed the 299 counted instances in this category account for 26% of all legitimacy and for 34% of moral-political legitimacy. Of the ten issues, eight are negative while only two are positive. Moral-economic issues play an important role at Namdeb because, as was explained before, firstly, economic stakes are high as diamonds are a lucrative resource and secondly, moral issues come into play when stakeholders vie over these stakes but only the strongest succeed in directly benefitting economically.

As the label shows, moral-economic legitimacy combines moral issues with economic issues which are obvious occurrences in the current business and overall capitalistic environment. In the case of Namdeb, moral-economic issues play an important role as, firstly, economic stakes are high as diamonds are a lucrative resource and secondly, moral issues come into play when stakeholders vie over these important economic stakes. Furthermore, as was discussed before, business is widely accused of only caring about making the most profit in the easiest ways, often, for example, at the expense of the economic development of the countries where they operate, as is illustrated by the most important issue in this category, 'high profits and a lack of reinvestment' (111). This is further compounded by the perception of a large number stakeholders that 'paying taxes is not enough' (31), that Namdeb has 'no specific development funds' (4) in place and that the 'resource curse' (33) also play an important role at the company. On a more positive note, however, Namdeb was also lauded for two positive moral-economic issues. These are

'\*driving economic development' (68) and '\*investing in sustainable projects' (10). The fact that the company invests in such issues obviously boosts its moral-economic legitimacy as it is seen as playing a positive role in the economic development of Namibia.

The next legitimacy type, moral-social legitimacy, is also connected to the two previous types discussed.

### ***Moral-Social Legitimacy***

Moral-social legitimacy is the least important type of moral legitimacy identified at Namdeb with only one issue and one instance counted accounting for less than 1 % of total legitimacy. It is a surprisingly small category given that Namdeb is considered a major player in Namibian society and the communities where the company operates. However, one of the reasons for this is that because the issues are so interconnected, some issues affecting society in a moral way were classified under different types. Such an example is the pragmatic-economic issue, 'disregarding unprofitable operations even if people profit' (1) which is also considered an economic and a pragmatic issue. Regarding moral-social issues specifically, the issue 'having safety measures in place' (1) is a positive issue which is described as 'moral-social' as ensuring the safety of employees, especially in such a high-risk environment as the diamond mining industry, is to abide by the norms of society. Another issue which potentially could be classified under this category is 'responsiveness to social needs and implementation of CSR projects' (29). However, stakeholders interviewed were primarily of the opinion that Namdeb was engaging in such actions for pragmatic reasons. As a result, this issue was classified under pragmatic-social legitimacy.

Following is a discussion of the fourth sub-type of moral legitimacy which is moral-environmental legitimacy.

### ***Moral-Environmental Legitimacy***

Moral-environmental legitimacy counts for only 1 % of moral legitimacy and for less than 1% of over-all legitimacy. Two issues are classified under moral-environmental legitimacy – ‘offshore exploration issues’ (5) and ‘not adhering to international environmental standards’ (2). Both of these issues are also negative and it is considered that since both these issues suggest that potential harm is being done to the environment which is in contradiction of society’s values, they are ‘moral-environmental’. Companies, especially those in the natural resources and extractive industries, are expected to take care of the environment and to put measures in place to minimise the harm done. This is especially important, as discussed before, in view of the exponential damage already caused to the environment by big MNCs such as Shell and BP. It is an important moral issue because stakeholders and the rest of society consider such incidents more often than not, as preventable if the company invested in security and protection measures as well as rehabilitation programs. If companies choose to ignore environmental issues, they are considered irresponsible and may be accused of unethical behaviour which may of course cause irreparable damage to the company’s moral-environmental and overall moral legitimacy.

The final moral legitimacy type, moral-legislative is the smallest overall category of legitimacy at Namdeb. Following is an explanation of its characteristics.

### ***Moral-Legislative Legitimacy***

The moral-legislative legitimacy category accounts for only 2% of both moral-legislative and overall legitimacy at Namdeb. This is because only one issue was identified - ‘laws in place but not adhered to’ (17). The issue was discussed in detail before and refers to the fact that many of Namibia’s laws only exist on paper and are often not implemented and/or

regulated. It becomes a moral issue because companies such as De Beers are seen as taking advantage of this weakness which is considered by many stakeholders a serious problem. In other words, even though De Beers is not responsible for the Government's inability and efficiency issues in terms of implementing and regulating the country's laws, stakeholders implore some actions of De Beers and Namdeb as it is considered as exploitation and unfairly benefitting at the expense of the people of the country translating into unethical behaviour. An example mentioned previously is the fact that De Beers has been seeking special favour from the Government in the past and is seen so rely on its relationship with Government to be, for example, exempted from certain laws.

This leads us to a discussion of the second most important type of legitimacy at Namdeb, pragmatic legitimacy, and its five sub-types.

#### **6.4.1.2. Pragmatic Legitimacy Types**

Pragmatic legitimacy accounts for 16% of over-all legitimacy. This means that 15 out of the 48 identified issues and the total of 187 instances counted makes it the second most important type of legitimacy at Namdeb. Only four of the five types of pragmatic legitimacy is presented as no issue was identified for the category pragmatic-legislative. As mentioned before, issues categorised as pragmatic legitimacy often refer a mutually beneficial exchange relationship. However, this legitimacy type also raises the issue of companies not considering all stakeholders on an equal basis. More often than not, the company addresses and pays attention to those stakeholders who can either cause the company harm or those who have the potential to benefit the company in some way. In the case of Namdeb, several examples are prominent as is shown in the explanation of the types of pragmatic legitimacy: pragmatic-political, pragmatic-economic, pragmatic-social, pragmatic-environmental and pragmatic-legislative, below.

The first type of pragmatic legitimacy under the spotlight is pragmatic-political legitimacy which is the third most important type of legitimacy at Namdeb.

### ***Pragmatic-Political Legitimacy***

In addition to accounting for 11% of overall legitimacy, it is also telling that pragmatic-political legitimacy is the single most important type of legitimacy of the five types of pragmatic legitimacy developed with a percentage of 71. The category comprises of seven issues and 132 instances. As the name indicates, this type of legitimacy involves an exchange relationship between Namdeb and some of its stakeholders based on political interplay. The three issues with the most instances are the fact that ‘not all stakeholders are included’ (40) in the company’s planning and actions, ‘CSR is seen as public relations’ (34) and ‘local communities do not benefit’ (29). In the same vein, and highly political is the fact that ‘most workers are not from the region’ (9). All of these examples of issues have both pragmatic and political sides to them. In other words, these issues show that Namdeb and De Beers engage in actions which benefit certain stakeholders, especially the more powerful such as the Government by, for example, employing SWAPO supporters from the north of the country while the people in the South where mining takes place needs the jobs just as much. Of the seven identified issues, two are positive – ‘sharing the know-how with the Government’ (7) and ‘improved public relations’ (2). The former, ‘sharing the know-how with the Government’ (7) is obviously a pragmatic-political issue because the Government, as stakeholder, learns more about the industry from De Beers which is considered the authority in the diamond mining industry and De Beers, as investor gains political advantage for, perhaps future diamond mining licenses. In the case of the latter ‘improved public relations’ (2) it simply means that De Beers is considered by some stakeholders in a better light in the aftermath of Apartheid and the role the company played



during this period. The issue was only mentioned twice though indicating that this point of view is hardly shared by the majority of stakeholders.

In the next section, a look is taken at pragmatic-economic legitimacy which is not really present at Namdeb.

### ***Pragmatic-Economic Legitimacy***

This category does not really affect the over-all pragmatic legitimacy of Namdeb as it counts for less than 0% of overall legitimacy and only one per cent of total pragmatic legitimacy. Only two issues, one negative, 'disregarding unprofitable operations even if some people benefit from it' (1) and the other positive, 'training employees' (1) were identified. The former issue was only mentioned by one stakeholder. The latter, 'training employees' (1) is considered pragmatic-economic because it is indeed the company itself, Namdeb which gains economically if it has well-trained employees. However, again because of the fact that issues are often interconnected, it was taken into consideration that some possible pragmatic-political issues could have been classified under this type of legitimacy. For example, 'local communities not benefitting' (29) from Namdeb's operations also fits here but upon further analysis it is clear that the reason for this is mainly political.

This leads directly to an explanation of pragmatic-social legitimacy.

### ***Pragmatic-Social Legitimacy***

Pragmatic-social legitimacy only counts for 3% of over-all legitimacy and 19% of all pragmatic legitimacy. A total of four issues were identified which account for 36 instances.

The most important issue is a positive issue, 'responsiveness to social needs & implementation of CSR projects' (29). The fact that Namdeb engages in issues which address some stakeholders, mostly mining communities in this case, positively affects its pragmatic-social legitimacy. The fact that these projects are often not sustainable is another issue and some people argue that it is nevertheless beneficial and therefore positive. The rest of the issues are negative and include 'infringing on the rights of people' (3), 'Diseases' (3) and 'mine fatalities' (1). All three of these issues negatively affect Namdeb's pragmatic-social legitimacy because the needs of certain stakeholders are being ignored. For example, in the case of 'diseases' (1) it is argued that because Namdeb is not necessarily paying attention to potential diseases resulting from its operations which might affect communities where it operates, community members do not accord it pragmatic-social legitimacy.

The next type of legitimacy is pragmatic-environmental legitimacy which is indeed a very interesting legitimacy type.

### ***Pragmatic-Environmental Legitimacy***

Pragmatic-environmental legitimacy accounts for a mere 2% of overall legitimacy and 9% of total pragmatic legitimacy. Both issues identified are positive and refer to actions of Namdeb which improve its environmental footprint – 'environmental policies & rehabilitation projects' (15) and 'cooperating with the Government on environmental issues' (2). This is an 'out of the ordinary' type of legitimacy because even though 'the environment' is not considered a normal stakeholder which can fend for itself, environmental organisations, the Government and society in general pay attention to what Namdeb is doing to restore the environment it unfortunately destroys through its mining activities. Both identified issues illustrate that Namdeb engages in positive actions which

directly result in pragmatic-environmental legitimacy. However, as was discussed before, it is important to be aware that some of these actions may just be for green-washing mining operations.

In the next section, the last type of legitimacy, which was also mentioned the least, cognitive legitimacy and its sub-types are elaborated upon.

#### **6.4.1.3. Cognitive Legitimacy Types**

As mentioned before, cognitive issues only account for 5% of total organisational legitimacy. Seven issues were identified and 52 instances were counted. Only three of the five types of cognitive legitimacy categories contain examples but all are explained. As was shown, cognitive legitimacy at Namdeb is above-all along the 'taken-for-granted' strand. People accepted certain situations and facts because it was just the way it is. Following is an explanation of the sub-types of cognitive legitimacy: cognitive-political, cognitive-economic, cognitive-social, cognitive-environmental and cognitive-legislative.

Following is a description of cognitive-economic issues which incidentally is the most important type of cognitive legitimacy.

##### ***Cognitive-Economic Legitimacy***

Cognitive economic issues make up 3% of total legitimacy and 58% of cognitive legitimacy. Four issues were identified of which three are negative and one positive. The negative issues are 'finiteness of diamonds' (13), 'mining costs' (10) and 'diamonds mining skewing development' (3). 'Finiteness of diamonds' (13) was mentioned by 13 respondents indicating that many Namibians take into consideration the fact that diamonds

cannot be replaced after they are taken out of the ground and accept it. In other words, it is something which is taken for granted. It is the same case with 'mining costs' (10) and '\*De Beers' technical know-how' (4) as the way things are generally accepted without much opposition. In the case of '\*De Beers' technical know-how' (4), the company gains cognitive-economic legitimacy because De Beers is considered to be the most important diamond mining expert both internationally and nationally. In view of this, it can be said that stakeholders are therefore aware that it makes economic sense that the Government is in partnership with the company. Furthermore, regardless the 'finiteness of diamonds' (13) it is also taken for granted that diamonds are mined in order to assist the Government to reach its economic and social development goals. In view of the above, these issues are therefore cognitively understood in a taken for granted sense. In a certain way, this type of legitimacy refers to a kind of trade-off between that which is considered to have the best outcome in a situation even if it is not the perfect situation and that which would be ideal. For example, in order to benefit financially from diamonds, the eventual scarring of the environment is inevitable.

Following is a description of the third type of cognitive legitimacy, cognitive-social legitimacy.

### ***Cognitive-Social Legitimacy***

Cognitive-social legitimacy accounts for only one % of total legitimacy and 19 % of all cognitive legitimacy. Only two negative issues were identified and ten instances counted. The issues are 'mine closure' (9), and 'putting strain on water and electricity supplies' (1). These issues are labeled cognitive-social because, in a first instance, it is taken for granted that mines will be closed when there are no more diamonds to mine. In a second instance, stakeholders are aware that Namdeb needs to use a lot of energy and water in order to mine

the country's diamonds. In a way, the company is 'forgiven' by stakeholders for the negative social issues caused by mining as society, on the long-run, gains from the company's activities.

This brings us to the fourth type of cognitive legitimacy which is cognitive-environmental legitimacy.

### ***Cognitive-Environmental Legitimacy***

Cognitive-environmental legitimacy accounts for only 1% of overall legitimacy and 23% of cognitive legitimacy. Only one issue was identified, 'destructive nature of mining' (12). As mentioned before, stakeholders and Namibians generally take for granted that in order to develop the Namibian economy and society, the destruction and scarring of the natural environment is practically impossible to avoid. However, Namdeb and other companies are not let off the hook automatically for this reason. In order to gain cognitive-environmental legitimacy, companies responsible for detrimentally affecting the environment need to put measures in place to minimise damage and to rehabilitate the environment. This type of legitimacy will therefore suffer if a company does not actively engage in remedial and preventative measures to protect the environment.

Now that the proposed types of legitimacy were identified and discussed, they are compared in the following two sections with Suchman's typology to see where they converge and where they diverge.

#### **6.4.2. A comparison of Suchman's (1995) types of legitimacy with the above proposed typology**

In general terms, moral, pragmatic and cognitive legitimacy according to Suchman (1995) were all present in this study, but the sub-types of legitimacy according to Suchman and this study differ. As can be seen, the above proposed typology looks different from Suchman's (1995) three types of legitimacy which are moral (comprising of consequential, procedural, structural and personal legitimacy), cognitive (based on taken-for-grantedness and comprehensibility) and pragmatic (based on exchange and influence). However, this does not mean that the general description of the legitimacy types according to Suchman (1995) does not find resonance in the legitimacy types proposed above. For example, a moral issue, 'distrust from society' (24) would be considered as consequential legitimacy by Suchman (1995) but in this research it is classified as a moral-political issue as it is obviously linked to power relations and the fact that some stakeholders feel that the company is not accountable and transparent enough. Another example is 'De Beer's technical know-how' (4) which would be cognitive legitimacy according to the taken-for-granted strand by Suchman (1995). However, in the above typology it is classified as a cognitive-economic issue because of the issue's economic output which is also taken for granted by stakeholders. Thus, in this case, the issue refers to the same 'taken-for-grantedness' by stakeholders and society in general, but it is classified differently according to the two types of description of legitimacy at hand. A final example of a sub-type of pragmatic legitimacy is De Beers' 'sharing of know-how with the Government' (7) which is classified under pragmatic-political issues in this research but which would be considered as pragmatic legitimacy based on exchange by Suchman (1995). It was found that the typology above better describes legitimacy influencing issues especially as they are identified from external stakeholders' statements which more often than not refer to

political, economic, social, environmental and legislative issues. This issue is further discussed under the final investigative question to follow.

In the next section, the final investigation question is addressed. As stressed before, it is directly related to the question above.

**6.5. Q5 - How can Namdeb manage its legitimacy by employing the proposed typology of organisational legitimacy introduced above?**

From the previous discussion, it is confirmed that the proposed typology of legitimacy developed in this research has five distinct characteristics. Firstly, it was developed based upon the direct input of external stakeholders making it relevant and comprehensible. Secondly, it takes into consideration different contexts such as political, economic, social, environmental and legislative dimensions. Thirdly, it refers to the legitimacy type or nature, i.e. moral, pragmatic or cognitive. Fourthly, it shows whether the issue influencing legitimacy is positive or negative which eventually points to the most important issues to pay attention to. Finally, as will be discussed in this section, issues are also classified according to “influenceable”, “semi-influenceable” and “non-influenceable” categories. Table 6.5. below illustrates these characteristics and is directly based on table 6.4. above. In fact this typology could provide managers with an easy and practical way to classify issues affecting the types of legitimacy as it provides a coherent, straight-forward way to classify issues affecting organisational legitimacy in order to ultimately, adequately access overall organisational legitimacy.

Regarding the last dimension, that of the “influenceability”, semi-influenceability” and “non-influenceability”, Table 6.5. below shows which issues can be directly or indirectly

influenced in order to enhance Namdeb's overall legitimacy. The table shows that influenceable issues are the biggest category with 56% followed by the semi-influenceable category with 29% and the non-influenceable category with 15%. Furthermore, it shows that in the case of Namdeb, moral-political issues were the most influenceable followed by moral-economic issues, for example. The typology therefore clearly shows the hierarchy of legitimacy types at Namdeb. In actual fact it can be easily accessed which issues Namdeb can influence in order to manage or control its overall organisational legitimacy.

Following is a description of each of the three categories of issues. Influenceable issues are firstly looked at.

#### **6.5.1. Influenceable Issues**

Influenceable issues account for 54% of all issues identified with 26 issues. Moral influenceable issues account for 14 issues or 52% of total moral influenceable issues followed by pragmatic issues which are 12 and count for 48% of total moral influenceable issues. No cognitive influenceable issues were identified. It is observed that many of the issues are influenceable as they were identified by stakeholders themselves. As will be seen, concrete deeds are possible as feasible suggestions were made by some stakeholders. Therefore, it is observed that generally the moral influenceable issues category is dominated by political and economic issues which can be influenced by management. For example, in the case of political issues which include 'transparency issues' (85), 'corruption' (75), 'good corporate governance' (12) and 'Namdeb reactive instead of proactive' (7), it is ascertained that Namdeb should be able to directly control or influence these issues by putting appropriate measures in place.



**Table 6.5. The controllability of issues affecting Namdeb's organisational legitimacy**

LEGITIMACY TYPES	INFLUENCEABLE Total Issues – 28 (58%) Total Instances – 674 (60%)	SEMI-INFLUENCEABLE Total Issues – 13 (27%) Total Instances - 354 (31%)	NON- INFLUENCEABLE Total Issues – 7 (15%) Total Instances –100 (9%)
<b>MORAL (79 %)</b> Total Issues – 26 Total Instances – 890			
<i>Moral-Political</i>  Issues – 12 Instances - 566	Transparency issues (85) Corruption (75) Accountability issues (44) Political interference (34) *Good corporate governance (12) Reactive instead of proactive (7)	Governance issues related to the structure the PPJV (219) Distrust from society (24) Government should not do business (3)	Ownership of diamonds (37) Reputation and power of MNCs (18) Parastatal reputation (8)
<i>Moral-Economic</i>  Issues – 10 Instances - 299	High profits & no reinvestment (111) *Driving econ. development (68) Resource curse (33) Paying taxes not enough (31) *Investing in sustainable projects (10) Not planning for international market fluctuations (4) No specific development funds (4)	Reputation of the diamond industry (25) Government's investment regime too lenient (12) Unfair competition (1)	
<i>Moral-Social</i> Issues - 3; Instances - 33	*Having safety measures (1)		
<i>Moral-Environmental</i> Issues – 2; Instances – 7	Not adhering to international environmental standards (2)	Off-shore exploration issues (5)	
<i>Moral-Legislative</i> Issues – 1; Instances – 17		Laws in place but not always implemented & applied (17)	
<b>PRAGMATIC (14%)</b> Total Issues – 15 Total Instances – 187			
<i>Pragmatic-Political</i>  Issues – 7  Instances - 132	Not all stakeholders are included (40) Local communities do not benefit (29) Internal staff issues (11) Most workers are not from the region (9) *Sharing the 'know-how' with the government (7) *Improved public relations (2)	CSR seen as public relations (34)	
<i>Pragmatic- Economic</i> Issues – 2 Instances - 2	Disregarding unprofitable operation even if people benefit (1) *Training employees (1)		
<i>Pragmatic-Social</i> Issues – 2 Instances - 4	*Responsiveness to social needs & implementation of CSR (29) Infringing on the rights of people(3)	Diseases (3) Mine fatalities (1)	
<i>Pragmatic-Environmental</i> Issues – 2 Instances - 17	*Environmental policies & rehabilitation projects (15) Cooperating with the government on environmental issues (2)*		
<b>COGNITIVE (5%)</b> Total Issues – 7 Total Instances – 52			
<i>Cognitive – Economic</i> Issues – 4 Instances - 30		Cost of mining (10) De Beers' technical know-how' (4)	Diamonds ' finiteness (13) Diamonds skewing development (3)
<i>Cognitive – Social</i> Issues – 2; Instances - 10		Putting strain on water and electricity supplies (1)	Mine closure (9)
<i>Cognitive Environmental</i> Issues – 1; Instances - 12			Destructive nature of mining (12)

In the case of economic influenceable issues, seven issues were identified. These include 'High profits & no reinvestment' (111), '\*Driving economic development' (68), 'Resource curse' (33), 'Paying taxes not enough' (31), '\*Investing in sustainable projects' (10), 'Not planning for international market fluctuations' (4) and 'No specific development funds' (4). As can be seen, the most prominent influenceable issue is a moral economic issue, 'high profits and no reinvestment' with a total of 111 instances. This issue is considered economic as it involves profits which are made in the country and which could potentially improve the local economy of the people by contributing to overall social and economic development locally. However, respondents lamented the fact that 'huge' profits were taken out of the country and that Namibians, especially local communities do not benefit from the exploitation of their own natural resource. This issue is considered 'influenceable' as Namdeb and De Beers can, firstly be more open and address 'transparency issues' (85) by disclosing information about the profits they may make and the percentage of the profit they spend on corporate social responsibility programs. This is important as it was found that one of the main problems was that stakeholders did not have any idea about the amounts of money involved in the diamond industry but expect it to be very high. This idea is reinforced by the fact that diamonds are a luxury product mostly bought by the rich and famous and yet, in a country such as Namibia where the stones are mined, the majority of people are poor. Secondly, De Beers should also invest more of its profits in order to garner greater moral legitimacy.

It is argued that issues such as the 'Resource curse' (33), 'Paying taxes not enough' (31), 'Not planning for international market fluctuations' (4) and 'No specific development funds' (4) are also easy to address as tangible things can be done to address these issues. For example, Namdeb is accused of not putting development funds in place by a number of stakeholders. It is therefore obvious that this is an issue which many Namibians consider

important and relevant. It is argued that it is relatively easy for Namdeb to agree to such a demand. Furthermore, two moral influenceable issues are also positive issues. These are 'Driving econ. Development' (68) and 'Investing in sustainable projects' (10). Namdeb already engages in these types of actions and therefore controls and influences these issues.

The pragmatic issues which are classified as influenceable include 12 issues. These are 'Not all stakeholders are included' (40), 'Local communities do not benefit' (29), 'Internal staff issues' (11), 'Most workers are not from the region' (9), 'Sharing the 'know-how' with the government' (7), '\*Improved public relations' (2), 'Disregarding unprofitable operation even if people benefit' (1), 'Training employees' (1), 'Responsiveness to social needs & implementation of CSR' (29), 'Infringing on the rights of people (3)', 'Environmental policies & rehabilitation projects' (15), 'Cooperating with the government on environmental issues' (2). Again it is remarked that Namdeb would be able to practically pay attention to these issues. For example, 'Not all stakeholders are included' (40), 'Local communities do not benefit' (29), 'Internal staff issues' (11), and 'Most workers are not from the region' (9) are serious allegations which can be rectified if Namdeb management were inclined to do so. The two positive influenceable pragmatic issues which obviously positively influence pragmatic legitimacy are 'Environmental policies & rehabilitation projects' (15) and 'Cooperating with the government on environmental issues' (2).

As was shown above, most issues are indeed influenceable. In the next section, a look is taken at the issues which are considered are semi-influenceable issues.

### **6.5.2. Semi-Influenceable Issues**

Semi-influenceable refer to issues in which Namdeb can indirectly influence to a certain extent. As will be seen, it often includes perceptions of stakeholders. These issues are only 15 or 31% of total issues. The total of moral issues which are considered semi-influenceable consist of nine issues or 60% of total semi-influenceable issues. Both semi-influenceable pragmatic and cognitive issues identified consist of three issues or 20% of total semi-influenceable issues respectively. The first group of moral semi-influenceable issues consist of four political issues. These are 'governance issues related to the PPJV structure' (219), 'political interference' (34), 'distrust from society' (24) and 'Government should not do business' (3)

The moral-political issues section includes the most important semi-influenceable issue which is also the most cited issue (219 instances) by 100% of the stakeholders. This is 'governance issues related to the public private joint venture structure' which is a moral issue also classified as 'political' because of the highly political nature of the company. For example, many of the stakeholders interviewed mentioned issues such the dual role of the Government which implies a direct conflict of interest situation as the Government is both a business partner and the custodian of the people and the environment, and the legislator/implementer and regulator of Namibian legislation. This is obviously a serious issue affecting the legitimacy of the company and while some stakeholders were of the opinion that the Government should not be a part of the company, others were of the opinion that it is essential for the Government to play a leading role in the diamond industry as diamonds are a strategic resource.

Yet another smaller group, mostly government officials and the mineworkers union were of the opinion that the industry should be nationalised. This issue is classified as semi-

influenceable as it is considered that the management of Namdeb, in collaboration with De Beers and the Government of Namibia is in a position to discuss the reasons for this type of partnership with stakeholders and to possibly influence their points of view positively. However, this is not guaranteed. Indeed this issue could be classified as an institutional issue as it refers to company structure. In such cases, as was discussed before, communication can be used to influence the issue but it is not sure that it will have the desired effect. In general, this type of company is considered a good way to manage natural resources provided that accountability and transparency are an infinite part of the governance structure.

### **6.5.3. Non-Influenceable Issues**

'Ownership of diamonds' (37 instances) is the most important non-influenceable issue. This is an issue which affects moral legitimacy. Many of the respondents brought up the fact that the diamonds which made and continue to make De Beers rich, belong in fact to all of the Namibian people. Because of this, people expect De Beers to invest more in the economic and social development of the country. They also stress that diamonds are a non-renewable resource and especially because of this, De Beers and Namdeb have the responsibility to invest in sustainable projects in the country. De Beers and Namdeb cannot change the fact that diamonds are considered a natural resource which belong to the people of the country. They can neither control the number of diamonds which can eventually be removed from the Namibian soil. In view of this, the only responsible thing to do is to acknowledge these facts and to agree with stakeholders on how to 'repay' stakeholders in a fair manner.

Another important point is that most non-influenceable issues are cognitive issues. These include 'finiteness of diamonds' (13), 'diamonds skewing development' (3), 'mine

closure' (9) and the 'destructive nature of mining' (12). The main reason for this is that, as explained before, cognitive issues are related to the collective mind-set of stakeholders and are difficult to influence and control.

The observations above give a distinct indication of how Namdeb's managers may usefully employ the proposed typology of legitimacy by taking into consideration context, issue and legitimacy types.

Finally, in the following section, the research question is answered. In fact, as the answer is based on investigative questions discussed extensively before, the answer is short and concise.

## **6.6. Answering of the Research Question:**

***To what extent can external stakeholder issues affecting Namdeb's legitimacy be identified, classified, managed and influenced?'***

The research question is answered in three parts. Firstly, the identification of issues affecting Namdeb's legitimacy will be explained. Secondly, the classification of these issues is discussed. In a third instance, the manageability and influenceability of these issues are talked about.

### **6.6.1. The identification of issues affecting Namdeb's Legitimacy**

As seen in the answering of investigative question one, it was possible to identify numerous important issues by interviewing a representative sample of external stakeholders of Namdeb. Table 5.2 contains the 48 identified issues which were eventually recognised. It was decided that the best way to approach the topic under investigation,

organisational legitimacy, is by taking into consideration the points of view of external stakeholders because, as explained before, legitimacy is mainly affected by external constituents (Suchman, 1995; Certo, 2003; Elsbach, 1994; Ruef & Scott, 1998). The process was fairly easy and straight-forward once the interview sample was constituted. This identification of issues process is further discussed in the next section which addresses the classification of these issues.

#### **6.6.2. The classification of issues affecting Namdeb's legitimacy**

The classification of the identified issues took place in two steps. Firstly, as was explained in the methodology chapter, data collected was analysed in such a way as to allow for the main categories of issue types to emerge during analysis. In the end five categories – political, economic, social, environmental and legislative – were established. Secondly, the 48 identified issues were further categorised by combining the issue type with the type of legitimacy it influences. This resulted in a typology of 15 types of legitimacy. As with the identification of issues process, the classification process was fairly easy to accomplish.

In the next section, the controllability and manageability of issues are discussed.

#### **6.6.3. The influenceability and manageability of Namdeb's legitimacy**

More than half of the issues affecting Namdeb's legitimacy are considered influenceable and therefore manageable. These account for 26 of the total 48 issues and add up to 54% of overall legitimacy. This means that should Namdeb really wish to positively influence its legitimacy positively, it should be possible to do so. The results also indicate that these issues comprise of only moral and pragmatic issues with a total of 14 and 12 respectively. 15 or 31% of issues were identified as semi-influenceable. This means that the company

has some degree of control to influence the issue. For example, when it ‘puts strain on water and electricity supplies’ (1) it can put measures in place to minimise its consumption. Seven issues were classified as non-influenceable and comprise of three moral issues and four cognitive issues. It is argued that even in the case of cognitive legitimacy which is considered predominantly non-influenceable, communication methods to stress the importance of the role of Namdeb in the local economy might be stressed. However, this issue was not further investigated and lies outside of the scope of this research.

It is concluded, that generally Namdeb has the opportunity to manage a great deal of the issues affecting its legitimacy. The influenceable issues in this case can easily be addressed as they were identified by external stakeholders who have a direct input on the company’s legitimacy. As was mentioned earlier, managing legitimacy in this case can be described as an issues management approach. This is discussed in more detail in the contribution to theory and practice section.

For now a look is taken specifically at Namdeb’s institutional legitimacy.

#### **6.6.3.1 The influenceability and manageability of Namdeb’s institutional legitimacy**

11 Semi-influenceable moral and cognitive issues were identified. This means that in the case of moral legitimacy, for instance, a company may have some influence over the issue at hand by, for example, communicating its well-meant intentions in an institutional environment where it faces ‘distrust from society’ (24). In the case of cognitive legitimacy, mining companies, for example cannot do much as ‘mining costs’ (10) are high. However, as in the moral legitimacy issue above, discourse might be employed to remind



stakeholders of the measures that the company put in place to counter-act some of these negative effects.

Three moral and four cognitive non-influenceable issues were distinguished. In the case of moral legitimacy, for example, the 'ownership of diamonds' (37) in the institutional environment refers to the fact that diamonds are a natural resource that typically belongs to all Namibians. In view of this, the company cannot exploit these riches at the expense of the Namibians as it will lose moral legitimacy. An example of a non-influenceable cognitive issue is the real possibility of 'mine closure' (9). The company cannot control the fact that eventually when diamonds are depleted, the mine will close and jobs will be lost, for example.

As can be seen, a great number of the issues related to institutional legitimacy can be managed. In the case where they cannot be managed, it is also in the interest of the company to be aware of the issues. In the next section, a look is taken at the influenceability and manageability of Namdeb's strategic legitimacy.

#### **6.6.3.2 The influenceability and manageability of Namdeb's strategic legitimacy**

According to the statistics in Table 6.5, Namdeb's strategic legitimacy is predominantly manageable. Strategic legitimacy consists of a number of pragmatic issues based on relationships as well as the lack of relationships and cooperation with stakeholders. 13 Issues are classified as influenceable and therefore manageable. Most were political. An example of a positive relationship with a stakeholder is 'sharing the know-how with the Government' (7). However, in the case of a negative pragmatic relationship, 'local communities do not benefit' (29) seriously adversely affect Namdeb's pragmatic

legitimacy. Attention should also be paid to how the relationship with a certain stakeholder, especially a powerful stakeholder is seen by the rest of the stakeholders as in this case strategic legitimacy may be gained but moral legitimacy might be negatively affected. Only three semi-influenceable issues were identified. An example is 'CSR seen as public relations' (34) which points to the fact that some stakeholders are wary of the company's intentions and do not trust CSR projects which are considered to be unsustainable and a laughing matter with regards to the profits De Beers makes and repatriates from Namibia. No non-influenceable issues were identified.

As seen, Namdeb's legitimacy can be identified, classified, influenced and managed to a great extent. This conclusion was reached after in-depth investigation of the data and the eventual answers of the five investigative questions.

## **6.7. Summary**

This chapter mainly contains the results of the research and some conclusions drawn. The five investigative questions as well as the research question were answered. Five short reflective accounts helped to contextualise the issues identified. In the next chapter, these issues are further investigated through a discussion on the meaning of these results and their significance for theory and practice.

### **7.1 Introduction**

This chapter is divided into four sections. Firstly, an overview of Namdeb's legitimacy is given by taking into consideration both statistical and descriptive characteristics. Secondly, the theoretical repercussions and contributions to theory are put forward. Thirdly, managerial implications are discussed. Finally, a short summary closes the chapter.

In view of the above explanation, following is a synopsis of Namdeb's legitimacy.

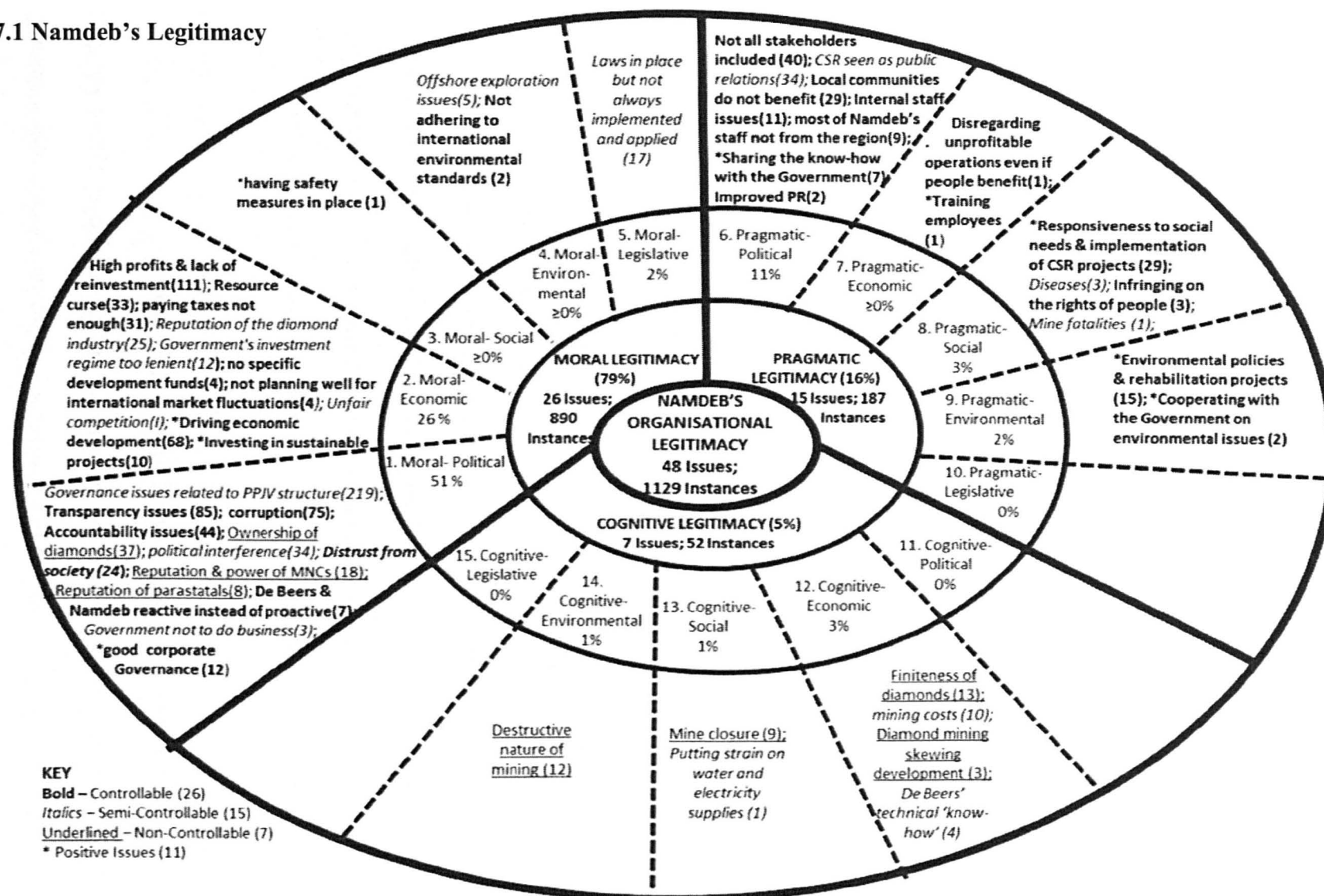
### **7.2 Overview of Namdeb's Legitimacy**

This section is approached in two steps. Firstly, a statistical overview of Namdeb's legitimacy is given while in a second step a more descriptive summary, based on the statistical outcome, is offered.

#### **7.2.1 Statistical Overview**

Namdeb's legitimacy is illustrated in figure 7.1 below. A great number of issues which affect the company's overall legitimacy on a continuous and everyday basis were identified. According to this diagram, issues affecting moral legitimacy (79%) are overwhelmingly present, followed by issues related to pragmatic (16%) and cognitive legitimacy (5%). Furthermore, with regards to issue types, political issues (62%) were identified as predominant followed by economic (29%), social (4%), environmental (3%)

Figure 7.1 Namdeb's Legitimacy



and legislative (2%) respectively. Upon further analysis, it became clear that moral-political issues (51%) play a decisive role in Namdeb's overall legitimacy. This category is followed by moral-economic (26%), pragmatic-political (11%), cognitive-political (3%) and pragmatic-social (3%) legitimacy. Vis-à-vis the influenceability and manageability of issues, a great number of moral and pragmatic issues were identified to be influenceable and therefore manageable (54%) to a greater or lesser extent while no cognitive issues were considered as influenceable. Semi-influenceable issues (31%) were represented by moral, pragmatic as well as cognitive legitimacy while non-influenceable issues (15) comprised only of moral and cognitive legitimacy.

Following is a general description of Namdeb's legitimacy based on the statistical information given above.

### **7.2.2 Descriptive Overview**

Here three main characteristics of Namdeb's legitimacy are described by taking into consideration initial expectations about the outcome of the research. Firstly, the reasons for the overwhelming dominance of moral legitimacy are discussed. Secondly, an explanation of the occasional interconnectedness of pragmatic and moral legitimacy issues which consequently result in the overlapping of these two legitimacy types are elaborated upon. Finally, the controllability and manageability of Namdeb's legitimacy is talked about.

#### **7.2.2.1 Reasons for the dominance of moral legitimacy issues**

The evident overwhelming presence of issues related to moral legitimacy (79%) was not anticipated as it was originally assumed that pragmatic legitimacy would play a greater role at Namdeb. The reason for this postulation is based upon the fact that the institutional

environment or Namibian society in general is based on group dynamics which constantly necessitate strategic exchange relationships based upon tribe, race and political affiliation, even though discrimination is formally prohibited by the Namibian constitution (Daniels, 2003). As was explained in previous sections, Namibian society is highly fragmented as it is a country with a small population (two million) consisting of a number of different ethnic tribes and people with different European origins who were ruled by employing divide and rule tactics during the Apartheid era. The repercussions of this are highly visible in Namibian society today especially when it comes to the redistribution of wealth and national resources (Daniels, 2003). For example, the ruling SWAPO party is mostly made up of the Owambo tribe who obtain most of the government tenders, mining and fishing licenses and so forth (Melber, 2006). Therefore, these issues also affect Namibian business generally as companies have to forge strategic partnerships with certain stakeholders in order to survive.

However, even though these strategic aspects play an important role in the constitution of Namdeb's overall legitimacy, as explained above, moral legitimacy was brought up by 100% of stakeholders. Yet, most of the issues were negative indicating that Namdeb and De Beers were considered to directly engage in actions seen as unethical such as 'corruption', 'high profits & lack of reinvestment' and 'transparency issues'. However, the moral legitimacy of Namdeb and De Beers was also negatively affected by issues over which they did not have much control. Such issues include 'the reputation & power of multinationals' and 'parastatal reputation'. In the case of these two examples, it is concluded that because De Beers is a multinational and multinationals are generally often considered in a negative way (Elfstrom, 1991; Banerjee, 2007; Utting, 2000), it is automatically branded with a negative image. However, from the previous discussions, it was also ascertained that De Beers is also responsible for some of the negative actions

multinationals engage in, such as 'transparency' and 'accountability' issues and 'high profits & lack of reinvestment'. In the case of parastatals, it is the same phenomenon as this type of company has a very negative image in Namibian society because of incompetence, corruption and nepotism (Amuphadi, 2004). Therefore, as was explained before, since Namdeb is considered a parastatal by some, it is viewed through the same negative lens with which most parastatals are regarded.

Furthermore, the most important category of moral legitimacy is moral-political legitimacy. This was expected to a certain extent as legitimacy as a concept is originally linked to politics (see for example Weber, 1978). The fact that Namdeb operates in a society where political affiliation plays an overwhelmingly important role, and that this more often than not influences both the public and private spheres, raises issues moral-political issues. Therefore, Namdeb's institutional environment is based on inequality where the needs and expectations of the less powerful and influential citizens of the country are generally not taken into consideration. This means that the most powerful, those with political and social connections have nearly exclusive access to the wealth in the country. This fact explains why a number of negative issues related to moral-political legitimacy (e.g. 'distrust from society' and the 'view that government should not engage in business') were identified by stakeholders. The latter ('the view that the government should not engage in business') is directly related to the former point as stakeholders, for example, brought up the fact that corrupt government officials may use their position and influence to gain favour from the company or that the company may be forced to give in to the demands of such individuals because they may be dependent on them for example for mining licenses and so forth. It is therefore obvious that Namdeb and De Beers have to pay attention to these issues especially because they have such a close relationship with the Government.

Following is the second general point on Namdeb's legitimacy which treats the overlap of moral and pragmatic legitimacy issues and types.

#### **7.2.2.2 The overlap of moral and pragmatic legitimacy related issues and types**

No prior conclusions were drawn about the interconnectedness of legitimacy issues and types. In fact this aspect only became apparent during data analysis when it was observed that in some cases, the same moral or pragmatic issue can be classified under both moral and pragmatic legitimacy. For example, it was found that pragmatic exchange relationships which obviously fall under pragmatic legitimacy can also sometimes be classified as moral legitimacy. An obvious example is when the Government as business partner at Namdeb draws strings so that its supporters from other regions are given jobs while the people from the region where Namdeb's operations take place are overlooked. This is clearly also a moral issue as people who brought up the issue were appalled at the blatant unethical conduct by the Government, De Beers as well as Namdeb's management. This action gains some pragmatic legitimacy for Namdeb and political support for the Government but generally it is observed that Namdeb's moral legitimacy is broadly negatively affected as the issue was brought up by people from different sections of society. It is also argued that in this case, De Beers and Namdeb in turn gain pragmatic legitimacy from the Government but that generally, members of society do not appreciate or accept this behavior. In view of this, it is concluded that when a company fosters strategic relationships with certain stakeholder groups at the expense of others, moral legitimacy may be affected negatively.

The fact that no cognitive legitimacy issues were found to overlap with either moral or pragmatic legitimacy is related to the point that cognitive legitimacy takes account of the collective 'taken-for-granted' attitude of stakeholders within the institutional environment. This can be deducted from some of the issues identified such as the 'finiteness of



diamonds' and the 'destructive nature of mining'. Stakeholders accept these 'facts' as no alternatives for mining on which economic and social development depend, exist. Therefore, no arguments about the importance of mining are brought up as it would be in the case of moral legitimacy which is 'argumentative' about what is right and wrong and whether the company is really engaged in actions which can be considered in the best interests of all stakeholders. Furthermore, as was discussed before, cognitive legitimacy is any way not directly or immediately controllable or influenceable and is therefore, for example, 'immune' to moral-political interference from powerful stakeholders.

This leads to the next section which addresses the influenceability and hence manageability of Namdeb's legitimacy.

### **7.2.2.3 The Influenceability and Manageability of Namdeb's Overall Legitimacy**

A final important observation with regards to Namdeb's legitimacy is that most of the issues which were identified as influencing legitimacy are considered 'influenceable'. This was not originally expected as in the current literature the complexity of legitimacy management is often stressed especially with regards to the frequently conflicting expectations and perceptions of stakeholders (Ashforth & Gibbs, 1990) and the increasing number of globalised social networks (Palazzo & Scherer, 2006; Scherer & Palazzo, 2011; Maak, 2009) resulting in great pressure on companies to actively pay attention to a great number and variety of issues. This gives the impression that legitimacy management is a very complicated task. However, as was discussed before, the fact that the issues identified were brought up by the external stakeholders themselves also assisted with the identification of solutions to potential problems.

It was found that the two most present types of legitimacy, moral and pragmatic legitimacy contained all the influenceable issues and that no examples of controllable cognitive legitimacy were identified as discussed before meaning that all cognitive legitimacy issues identified were either semi-influenceable or non-influenceable. This is directly linked to the point about cognitive legitimacy and influenceability discussed above. Cognitive legitimacy related issues are 'taken-for-granted' without being questioned and therefore Namdeb, cannot directly influence or control it. In the case of moral legitimacy, the observation is made that when managers and shareholders behave in ethical ways, moral legitimacy is obviously directly positively influenced. However, the fact that most moral issues were brought up negatively, means that at the moment, the opposite is taking place. This point is further discussed under 'managerial concerns'.

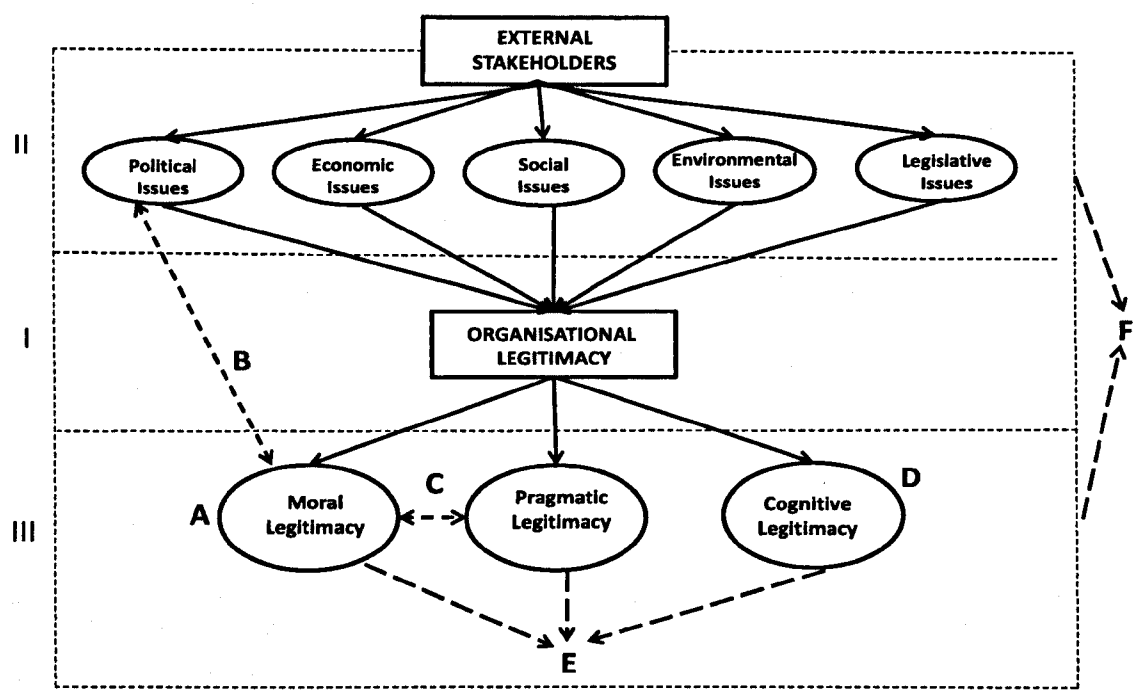
These observations regarding Namdeb's legitimacy visibly and auspiciously allows for the drawing of conclusions about the theoretical implications of organisational legitimacy in general, and potential contributions to be made. These are discussed in the next section.

### **7.3 Implications for Theory**

This section is based on diagram 7.2 below which illustrates the scope and issues taken into consideration in this research. It is divided into three parts. Part I elaborates on organisational legitimacy in general by explaining aspects of institutional and strategic legitimacy. This discussion lays the basis for further observations to be made. Part II takes into consideration external stakeholders and issues related to organisational legitimacy. Part III is based on the three types of legitimacy and is further divided into sections A to F which is explained below.

In view of this, in a first instance, the discussion is introduced with some observations about institutional and strategic legitimacy.

Figure 7.2 Theoretical Implications and Contributions to Theory



7.3.1 I – Introduction of Aspects of Organisational Legitimacy

It was observed that neither one of the two dominant theoretical approaches of organisational legitimacy, the institutional and the strategic approaches fully describe the environment and context in which Namdeb is embedded. This is in line with the fact that both institutional and strategic legitimacy theory are criticised for being too narrow in their approaches. On the one hand, institutional legitimacy which encompasses moral and cognitive legitimacy, is seen as too static in that it focusses too much on social aspects (Powell, 1993) and underplays how different institutional forces may pressurise organisations to prioritise different values (Patroitta et al 2011). On the other hand, strategic legitimacy is criticised for overly focussing on strategic legitimacy, assuming that

companies have the power to strategically influence their societal context and manipulate the process of gaining legitimacy easily.

Consequently, this research agrees with both these observations which are echoed by Palazzo and Scherer (2006) who say that the current debate about business responsibilities is built upon a discussion of organisational legitimacy which does not appropriately reflect the conditions of today's global, post-national and pluralistic societies. They argue that on the one hand, the strategic approach is overly focused on pragmatic legitimacy, assuming that corporations have the power to strategically influence their societal context and thus manipulate the process of legitimacy ascriptions. Following Suchman's (1995) thesis, they are of the opinion that pragmatic legitimacy, as encapsulated in the strategic approach, is too weak due to its limited group-specific and ephemeral impact. This was confirmed through this research as it was observed how companies may undermine moral legitimacy by concentrating too much on certain stakeholder groups while ignoring others.

In contrast, the institutional approach takes cognitive legitimacy as its main point of reference. However, Palazzo and Scherer (2006) argue that the pluralisation of modern society (understood as the threefold process of individualisation, the devaluation of tradition and the globalisation of society) erodes the normative taken-for-grantedness, as it is subsumed within the concept of cognitive legitimacy. In agreement with Palazzo and Scherer (2006), it is postulated that cognitive legitimacy, through the institutional approach, is devaluated due to the pluralisation of modern society. In addition, it was found in this research that the institutional environment can also be fragmented by different values of different political groups and for example tribes, in the African context, further adding to the complexity of moral legitimacy. This point is further discussed in the section title 'the prominence of moral legitimacy' to follow.

Therefore, a new middle-way is needed which will take into consideration both the cognitive and pragmatic aspects of organisational legitimacy. In fact it seems as if the moral component of institutional legitimacy is underplayed in current legitimacy literature. As the following sections will show, this should not be the case as it is observed that moral legitimacy plays a dominant role which could potentially form the bridge between the cognitive and pragmatic aspects of legitimacy. For example, the cognitive dimensions of 'taking for granted' and 'comprehensibility' and the pragmatic dimensions of 'exchange' and 'influence' according Suchman (1995) should indeed be based more on moral aspects as ethical issues are found to permeate company actions and operations in general. This will be further discussed in the following sections.

For now a closer look is taken at external stakeholders and legitimacy issues.

### **7.3.2 II – External Stakeholders and legitimacy issues**

This research suggests that organisational legitimacy depend on a constantly evolving and dynamic myriad of political, economic, social, environmental and legislative issues which implicate a great number of external stakeholders with varying power and salience. This is line with the point of view with a number of scholars who stress that legitimacy is mainly affected by external stakeholders (Suchman, 1995; Certo, 2003; Elsbach, 1994; Ruef & Scott, 1998). Indeed, within contemporary organisations theory and social issues in management studies, legitimacy is more often evoked than described (Suchman, 1995) and it is more often described than analysed in relation to the proper characteristics of firms and the issues and challenges faced on a daily basis. When describing the mechanisms that organisations apply in searching for legitimacy, scholars have often confronted the challenge of incorporating a pragmatic (through a strategic perspective) and a cognitive (through an institutional perspective) dimension of legitimacy that explicitly acknowledge

the role of the social audience in the legitimation dynamics (Ginzel et al., 1992; Nielsen; Suchman, 1995).

Therefore, in view of this observation, companies need to be a step ahead by being aware of potential threats to legitimacy and to proactively, rather than reactively, manage these issues in order to gain and maintain legitimacy. An interesting angle was taken to accomplish the goal of investigating the topic at hand as external company stakeholders were interviewed in order to ascertain directly which issues affect organisational legitimacy on an everyday and continuous basis. Evidence that such a study was conducted before was not found in the literature even though it makes perfect sense that to better understand organisational legitimacy, the points of view of external stakeholders need to be taken into consideration as it is them who first and foremost award or question company legitimacy. This is an area of potential future study including replicating of the methodology of interviewing external stakeholders used in this research.

Moreover, it is suggested that the identification of issues and their complexities are important as managing legitimacy is not an easy task because, as stressed before, it is complex and problematic (Ashforth & Gibbs, 1990; Kostova & Zaheer, 1999) as social values and expectations are often contradictory, evolving, and difficult to operationalise (Shocker & Sethi, 1974) while the institutional environment is fragmented and composed of different domains reflecting regulatory, cognitive and normative factors (Scott, 1995). Indeed, there are often ambiguities and inconsistencies in their transmission – in the laws and traditions that authorise values, the editorialising of the media, and the pressure campaigns of interest groups (Ashforth & Gibbs, 1990). In addition, large and complex organisations are answerable to a number of diffuse stakeholders with frequently conflicting expectations and perceptions (Ashforth & Gibbs, 1990). Also, the growing

complexity of globalised social networks is accompanied by an internal pluralisation of post-industrial societies where the once, more or less, homogenous cultural life-world background has become fragmented (Palazzo & Scherer, 2006). Values, interests, goals, and lifestyles are increasing and societies are growing in complexity and heterogeneity (Palazzo & Scherer, 2006; Maak, 2009). On top of this, many organisational factors, including internal politics may lead an organisation to fall short of, displace, or simply violate these values and expectations (Huntington, 1998). In view of the above, if organisations take their legitimacy for granted, they do so at their own peril (Ashforth & Gibbs, 1990) but just as important is that these facts illustrate how complicated legitimacy management is.

General issues identified in the current literature as playing a role on company legitimacy include industrial disasters, violation of human rights and the exploitation and abuse of the natural environment. However, positive issues also exist and may comprise of a company's contribution to the country's GDP, employment creation, and sustainable CSR projects. In the case of this research though, the objective was to go a step further and to investigate dynamic issues affecting organisational legitimacy on an everyday and continuous basis in order to ascertain the general distinguishing factors, including the complexities the concept raises. A great number of relevant issues, especially moral issues and aspects, were identified which allows for the concrete drawing of conclusions about general organisational legitimacy. A typology according to which these issues were classified was developed by taking into consideration political, economic, social, environmental and legislative issues. The relevance of these categories is discussed in the next section under 'F'. However, first follows other aspects of the three main types of legitimacy.

### **7.3.3 III – Facets of the three types of legitimacy**

Generally, in the literature, the three types of organisational legitimacy (moral, pragmatic and cognitive) are explained and employed according to Suchman's (1995) influential paper. It is evident that the types of legitimacy are multi-layered and several implications with regards to its constitution and workings exist. The most important of these implications are discussed in six sections - A (the prominence of moral legitimacy); B (the importance of moral-political issues); C (the interconnectedness of moral and pragmatic legitimacy); D (the 'acceptability' aspect of cognitive legitimacy); E (the possible degree of garnering the three types of legitimacy) and F (a proposed typology of legitimacy).

Following is an explanation of the prominence of moral legitimacy.

#### **7.3.3.1 A - The prominence of moral legitimacy**

As was stated before, it was observed that moral legitimacy plays a significant role in terms of overall legitimacy. In view of this, it is suggested that more attention be paid to the influence of moral and ethical matters with regards to the study of organisational legitimacy. This observation that moral legitimacy is dominant at organisations in itself is not something new as Koppell (2008), for example, refers to moral legitimacy as the "true meaning of the word legitimacy" (p. 182), since cognitive and pragmatic legitimacy imply only that an authority is acknowledged and submitted to. Whether this authority deserves its status or imposes it is not a criterion for cognitive and pragmatic legitimacy.

Part of the reason for the strong presence of issues influencing moral legitimacy is the fact that with the increasing of globalisation the negative consequences of businesses have also accumulated (see, e.g. Mokhiber and Weissman 1999, Korten 2001) resulting in a call for



more ethical behavior from business (Palazzo & Scherer, 2006; Scherer & Palazzo, 2011; Matten & Crane, 2005; Matten, Crane and Chapple, 2003; Parker, 1998; Thompson, 2010). For example, in the case of natural resources, moral issues come into play as the different mining multinational and local external stakeholders with their various degrees of power and influence vie over stakes. This means that pragmatic legitimacy as well as moral legitimacy play an important role at the same time. This point is further discussed in the next section.

In sum, this study suggests that moral legitimacy is of greater importance than what Suchman (1995) suggests. This corresponds with the point of view of Palazzo and Scherer (2006) who propose an ultimate change to moral legitimacy which is understood as the conscious moral judgments on the organisation's output. It becomes a decisive source of societal acceptance and creates a new basis of legitimacy which involves organisations in processes of active justification vis-à-vis society rather than simply responding to the demands of powerful groups. In view of this, it is considered essential that further research to investigate the impact and aspects of moral legitimacy be conducted. In fact it is observed that a gap regarding the prominence and importance of moral legitimacy as well as political aspects exists in general in the organisational legitimacy theory. In view of this, in order to have a sustainable impact on overall company legitimacy, companies must pay more attention to moral legitimacy in the context of the institutional environment which obviously also include external stakeholders and eventual pragmatic relationships. This argument is taken further in part 'B' which discusses the obvious link between moral and political issues.

### **7.3.3.2 B – The prominence of moral-political legitimacy**

Contrary to the general idea that economic issues always play a predominant role in company legitimacy, political factors may have an even more important impact especially since it is considered to be linked to moral aspects. This refers to the fact that legitimacy as a concept is rooted in the area of politics. For example, Weber's (1978) concept of political legitimacy holds the idea that in order for a governing system or a government to survive, it needs to be seen as legitimate by those governed, was taken into consideration. The link with organisational legitimacy is that as is the case with an unpopular regime which survives because it is supported by a small, influential elite, so certain companies can survive because they are supported by the ruling political elite which in turn, is dependent on them for the creation of jobs, income and even presence on the international market.

Furthermore, whenever resources are at stake and several stakeholder groups with varying degrees of salience vie over these resources, moral-political issues become very important. The more influential stakeholders are more likely to succeed in getting what they want while the less-influential stakeholders are ignored. Often the influential stakeholders include the government and other leading organisations such as regulatory and decision-making bodies. Political action in everyday business transactions may play an important role affecting company moral-political legitimacy. Palazzo and Scherer (2006) label these issues referred to as moral-political issues in this study as ethico-political. In their case, they adopt an inclusive, broad-based analysis to further understand the context of CSR projects, the process (gaining or maintaining legitimacy) and the meaning of the communicative actions of the firm. In this research, a slightly different approach was taken to obtain the same goal of integrating ethico-political, or moral-political dimensions into the legitimacy debate. For example, the topic was approached by taking into consideration all issues, including CSR, brought up by external stakeholders. In this way an overall

picture of moral-political issues important in terms of organisational legitimacy was obtained.

The next section takes the discussion on moral legitimacy even further by elaborating on the interconnectedness of moral and pragmatic legitimacy.

#### **7.3.3.3 C – The interconnectedness of moral and pragmatic legitimacy**

A clear interconnectedness between moral and pragmatic legitimacy was observed. Even though Suchman (1995) does not clearly distinguish which legitimacy types may be linked, he explained that “although different types of legitimacy often reinforce one another, they occasionally can come into conflict, as well” (p. 585). This means that even though legitimacy always depend on scale and situation, strengths in one area can compromise for weakness in another (Thirkell-White, 2004; Brinkerhoff, 2005). This refers, for example, to the fact that “crass pragmatic appeals may debase lofty moral claims, and hollow moral platitudes may signal shirking in pragmatic exchanges” (Suchman, 1995, p. 585).

Indeed it is suggested that moral and pragmatic legitimacy sometimes overlap because pragmatic actions are often based on a political exchange relationship which is often linked to moral and ethical dimensions. For example, when a company only pays serious attention to powerful stakeholders such as the government, and ignore a weaker stakeholder group such as a poor community in which it operates, both moral and pragmatic aspects are discerned. This means that by adhering to the expectations of the powerful stakeholder, the company may gain pragmatic legitimacy. However, it loses moral legitimacy as it is seen as morally unjust to ignore people who are affected by company operations just because they are considered poorer and less educated.

In the current literature no reference to this aspect of interconnectedness specifically was found. Indeed it is suggested that this aspect be further investigated by incorporating political aspects of the business environment. This is important as it is obvious that such matters are often linked and play an important role on the overall legitimacy of companies on a continuous and everyday basis. Such research would clarify what is considered an obvious link in this research between moral and pragmatic legitimacy and what this signifies in terms of companies' legitimacy in society.

In the next section the third type of legitimacy, cognitive legitimacy, is discussed.

#### **7.3.3.4 D – The ‘acceptability’ aspect of cognitive legitimacy**

An interesting observation about cognitive legitimacy was made with regards to its characteristics, i.e. that it is most likely to be linked to issues where economic and social trade-off play a role and not only ‘taken-for-grantedness’ and ‘comprehensibility’ which defines cognitive legitimacy according to Suchman (1995). In view of this, a third dimension to Suchman’s (1995) cognitive legitimacy suggested, that is ‘acceptability’. For example, one overall important cognitive issue in the context of many powerful companies is that they may provide a great number of jobs, contribute much to the country’s GDP through taxes and invest in CSR projects. However, they may also be responsible for a great number of negative consequences such as destroying the environment and causing pollution and so forth. Yet, at the same time, the positive contributions to society are often important enough to ‘soften’ the gravity of the costs involved. Suchman (1995) does not elaborate in detail on this characteristic of cognitive legitimacy as his distinction of comprehensibility and taken-for-grantedness only partially explains this aspect of ‘acceptability’ of legitimacy. In view of this, it is suggested that ‘acceptability’ becomes a third sub-category of cognitive legitimacy as the aspect of ‘trade-off’ between the costs of

operations and benefits to society needs to be measured against each other to see if the company is engaged in 'acceptable' actions.

The next point, 'E', explains some of the characteristics of garnering legitimacy.

#### **7.3.3.5 E - Characteristics of garnering legitimacy**

The garnering of legitimacy is brought up specifically with regards to Suchman's (1995) analysis. For example, he explains that pragmatic legitimacy is the easiest to obtain while cognitive legitimacy is the most difficult to get. He considers moral legitimacy to be in-between. Evidence in support of Suchman's (1995) case for pragmatic legitimacy was abundant. For example, when companies are responsive to social needs and invest in CSR projects which address stakeholder needs is an easy way to garner legitimacy. This is especially easy in cases where stakeholders are easy to please – for example poor, unemployed community members may automatically accord legitimacy to a company because they receive some material form of exchange from the company no matter how small or unsustainable. The opposite is also true – when companies do not address specific stakeholders' concerns, pragmatic legitimacy is negatively influenced. An example of such an issue is when local communities are not benefitting from company operations and are excluded from, for instance, employment opportunities.

Cognitive legitimacy which is said to be the most difficult to obtain is also more complex. For example, Suchman (1995) states that cognitive legitimacy is not based on discursive evaluations which is the case with moral and pragmatic legitimacy. He claims that "audiences arrive at cost-benefit appraisals and ethical judgments largely through explicit public discussion" (p. 585) in the case of moral and pragmatic legitimacy while in the case

of cognitive legitimacy, “unspoken orienting assumptions, and heated defenses of organizational endeavours tend to imperil the objectivity and exteriority of such taken-for-granted schemata” (p. 585). This research generally agrees with these observations but does not dismiss the fact that communication does indeed also play a role when it comes to cognitive issues. Indeed, in this study the observation is made that discourse can and does play a role in the reinforcement of cognitive legitimacy. In fact it is argued that as managers or companies cannot necessarily seek cognitive legitimacy because it is more often than not an automatic product or result of company operations or acts, they need to rather reinforce the cognitive legitimacy the company already has through communication. For example, in the case of mine closure and the destructive nature of mining, companies cannot do anything to prevent these consequences. In view of this, it is concluded that people who brought up the issues generally accepted these negative consequences of mining because the economic output is fundamentally important. Therefore, it is suggested that companies could improve cognitive legitimacy by stressing the economic and social benefits the company is responsible for. In the case of mining companies, for example, they may remind stakeholders that these are the unfortunate costs of mining without using it as excuses to get away with unethical behaviour. Thus, it is suggested that communication plays an important role in garnering or maintaining cognitive legitimacy. However, more research in this area must be conducted in order to ascertain the extent to which this phenomenon is generalisable.

In the case of moral legitimacy, most issues seem to be influenceable depending on the type of issue and whether the company and its managers are willing to pay attention to the general societal norms and values within the institutional environment and to engage in moral argumentation. This echoes the point of view of a number of authors who state that moral legitimacy can be influenced and managed by conforming to society’s norms and

values (e.g. DiMaggio & Powell, 1983; Scott, 1991; Suchman, 1995; Olivier, 1991) by, for example investing in sustainable CSR projects and managing the company in a transparent and accountable way. Therefore, as stressed before, moral legitimacy is an important source of overall legitimacy which need to be seriously considered by managers. This argument is further discussed under 'managerial concerns'.

For now, the proposed typology of legitimacy developed in this research is elaborated upon.

#### **7.3.3.6 F - A proposed typology of legitimacy**

One of the main contributions to theory this research makes is the proposition of a coherent and useful typology based on external stakeholder input to classify the overall legitimacy of companies. This typology which is illustrated in table 6.1 below is proposed as an alternative to Suchman's (1995) typology which is most commonly used by authors in the fields of organisational and specifically legitimacy studies. Indeed typologies are described as a unique form of theory building in that they are complex theories that describe the causal relationships of contextual, structural and strategic factors, thus offering configurations that can be used to predict variance in an outcome of interest (Doty and Glick, 1994).

As can be seen, the proposed typology differs quite a lot from Suchman's (1995) typology. For example, Suchman's typology consists of eight sub-types of legitimacy – moral legitimacy (consequential, procedural, structural and personal); cognitive (taken for granted and comprehensibility) and pragmatic (exchange and influence) while the proposed typology consists of 15 types of legitimacy – moral (moral-political; moral-economic; moral-social; moral environmental and moral-legislative); pragmatic

(pragmatic-political; pragmatic-economic; pragmatic-social; pragmatic-environmental and pragmatic-legislative) and cognitive – (cognitive-political; cognitive-economic; cognitive-social; cognitive-environmental and cognitive-legislative).

**Table 7.1 The Proposed Typology of Legitimacy**

Issue Types  Legitimacy Types	POLITICAL	ECONOMIC	SOCIAL	ENVIRONMENTAL	LEGISLATIVE
MORAL	Moral-Political	Moral-Economic	Moral-Social	Moral-Environmental	Moral-Legislative
PRAGMATIC	Pragmatic-Political	Pragmatic-Economic	Pragmatic-Social	Pragmatic-Environmental	Pragmatic-Legislative
COGNITIVE	Cognitive-Political	Cognitive-Economic	Cognitive-Social	Cognitive-Environmental	Cognitive-Legislative

The main characteristics of this typology are that (1) it is two-dimensional; (2) it takes into consideration contextual matters in mainly (but not exclusively) the external environment; and it is considered (3) ‘user-friendly’. In the first case, the two-dimensions of legitimacy proposed are indispensable for clearly defining the type of issue and the kind of legitimacy it generally affects. In fact the typology was developed by combining the type of issues (political, economic, social, environmental and legislative) with the three types of legitimacy (moral, pragmatic and cognitive) according to Suchman (1995). This is according to Patton’s (1990) methodology of crossing two one-dimensional typologies.

In the second case, contextual matters are considered especially with regards to the external environment. This is because the categories are built mainly upon information from external stakeholders, hence the issues types ‘political’, ‘economic’, ‘social’, ‘environmental’ and ‘legislative’. It was discovered that these categories allowed for the



precise classification of the external issues raised as these reflect both situation and perspective. However, this does not mean that the typology cannot be employed for the classification of internal issues. For example, the internal issue of De Beers’ top managers in Namibia being mostly foreigners would be classified as a moral-political issue. Also, an internal cognitive-economic issue would be the fact that employees feel privileged to have a job because these are very scarce. They may therefore accept weak salaries because it is better than nothing. In the case of Suchman’s (1995) typology, the distinction between internal and external issues are not made.

In the third case, the assumption is made that the typology is ‘user-friendly’ because ‘intuitive use’ is possible in the sense that the category labels or legitimacy types for that matter, are easily understandable and coherent. It may be useful to managers who want to establish which external issues play decisive roles in overall company legitimacy in different contexts such as different country-contexts, industries and company types. However, cognisance is taken of the fact that these assumptions made are only based on the outcome of this research. In order to establish whether the conclusions about the usefulness and user-friendliness of the typology are correct, further studies would have to be conducted.

**Table 7.2 Suchman’s Typology of Legitimacy**

Legitimacy Types		
Moral Legitimacy	Cognitive Legitimacy	Pragmatic Legitimacy
consequential	taken for granted	exchange
procedural	comprehensibility	influence
structural		
personal		

This leads to the next section which appropriately addresses managerial concerns.

## **7.4 Managerial Concerns**

Three main issues of concern to managers are brought up. Firstly, the statement ‘legitimacy management is issues management’ is discussed; secondly, the importance of management based on ethical values is underlined; and finally the dangers of window-dressing are stressed.

Following is an explanation of why legitimacy management is indeed considered as issues management.

### **7.4.1 Legitimacy management is issues management**

The premise for managers is simply that instead of considering the management of legitimacy types, it is more practical to address the issues considered under each type of legitimacy from an issue management angle. This is important as legitimacy cannot be ‘managed’ without taking into consideration the separate issues which make up the ‘whole’. Roloff (2008) refers to this as issue-focused stakeholder management and explains that it enables companies to address complex problems and challenges in cooperation with stakeholders. In this context, deliberation is described as the key to issue-focused stakeholder management and “helps to cope with numerous and at times contradictory stakeholder demands and enhances the legitimacy of corporate activities” (Roloff, 2008, p. 233).

In fact, as was discussed before, the legitimation and ultimate survival of the firm may hinge on adequately managing the relationship between the organisation and its social and

political stakeholders (Meznar & Nigh, 1993; Hillman & Keim, 2001) also referred to as external stakeholders. Indeed, increasingly, firms are understood to be answerable to society for the way they conduct their operations (Meznar & Nigh, 1993). As a result, the challenge for business is to identify to whom and for whom they are responsible, and how far that responsibility extends. Underpinning the difficulties of managing the relationship between a business and its stakeholders, are the issues of divergent and often conflicting expectations between stakeholders (Greenfield, 2004; Bowman-Larsen & Wiggen, 2004; Stigson, 2002; Brammer & Pavlin, 2004) and contextual complexities (Daniels & Radebrough, 2001; Freeman, 1984; Bowman-Larsen & Wiggen, 2004) that are further complicated by varying interpretations arising out of different geographical regions and values (Deresky, 2000; Bowman-Larsen & Wiggen, 2004; Stigsen, 2004; Woodward et al, 2001) and the challenge of finding the best strategies to manage the companies' legitimacy (Weiss, 1998). Indeed, Heath & Norman (2004) suggest that since stakeholder theory promotes the idea that the firm exists essentially to serve the interests of all stakeholders, it should be built directly into the governance structure e.g. have representatives of all stakeholders on the board.

Undoubtedly, for all types of business, how a firm is viewed and evaluated by its stakeholders is likely to have a major impact on its interactions with its stakeholders and is therefore, a matter of significant managerial interest. For example, in the case of mining companies who regularly face informed, critical and active stakeholder attention from the government, the media, NGOs and the public at large, the nature of their engagement with stakeholders are highly scrutinised and evaluated. In other words, the obvious controversial context of the mining industry pushes management to stay abreast of issues which might affect the legitimacy of the company. For example, this industry is often accused of not involving mining communities in issues affecting them directly because they are not

considered powerful enough to affect the legitimacy of the company. However, as was discussed, in the institutional environment especially, other stakeholders such as the media and NGOs may sanction the company.

In view of this, it is therefore recommended that in developing countries in particular, in the absence of a strong state and empowered stakeholder group, especially where regulation is weakly developed, or enforced, mining companies should develop their own models of environmental and social responsibility that go beyond their more narrowly defined legal obligations (Warhurst & Insor, 1996). However, this is easier said than done and regularly profits still come first often at the expense of communities and citizens in general (O’Faircheallaigh, 2002). Nevertheless, this is an important managerial issue to take into consideration in relation to managing the company’s legitimacy.

To conclude, most importantly, it is suggested that issue-focused stakeholder management be employed in combination with the proposed typology of legitimacy described above. This will allow for a clear way to identify and classify issues affecting legitimacy in a coherent and consistent manner. Furthermore, it will also allow managers to identify potential threatening issues and as well as those issues which already positively influence legitimacy.

The following discussion takes these observations and recommendations further by underlining the importance of values and ethics with regards to managing companies.

#### **7.4.2 The importance of management based on ethical values**

By now it is clear that examples of moral legitimacy were overwhelmingly mentioned by stakeholders interviewed. In view of this, it is suggested that managers' efforts should go into building on norms and values in order to establish conformance to stakeholders' expectations as encapsulated by society's norms, values etc. Many normative issues can be positively influenced provided that managers directly address relevant issues. For example, accountability and transparency issues which are considered moral issues may seriously negatively affect legitimacy if the company is seen to ignore the importance this holds for stakeholders resulting in misinterpretation and the perception that the company does not care about certain stakeholders.

The call for business to behave more ethically has been launched by several scholars (see for example Palazzo & Scherer, 2006; Matten & Crane, 2005; Matten, Crane and Chapple, 2003; Parker, 1998; Thompson, 2010) especially in the wake of globalization. However, this research also calls for moral management based on especially moral-political issues in highly fragmented institutional environments such as the developing country context including the African milieu where political and tribal loyalty directly influence the way companies conduct business. Daniels (2003) and Melber (2006) elaborate extensively on these issues.

In view of the above, it is suggested that proper structures be put in place in order to facilitate management in an ethical way. This is obviously a complicated task as ethical management practices depend on belief systems, cultural contexts and so forth (Nyberg, 2007; Geertz, 1973). In fact human morality is described as "a complex, adaptive system of interconnected personal, relational, and cultural fields involving both identity and agency expressed in spiritual, cognitive, affective, and performative dimensions"

(Thompson, 2010, p. 29). However, regardless of the complexity described here, it is recognised that management based on values and ethics and general cannot be ignored as the legitimacy and therefore the very survival and optimal functioning of business depend on it.

Related to the above is the fact that managers should be careful that their remedial actions and CSR projects, for example, are not considered as window-dressing. This is discussed next.

#### **7.4.3 The dangers of window-dressing**

A direct outcome of this research is the observation that managers should not engage in remedial action 'half-heartedly' or in ways which are considered unsustainable by stakeholders. For example, CSR projects should have measurable outcomes (Kotler & Lee, 2005) and should not be seen as blatant strategic exercises (L'Etang, 1994) disguised as responsible behaviour as these actions may be seen as public relations resulting in damage to overall company legitimacy. Claasen and Roloff (2011), for example, have discussed this and pointed out that there is indeed a clear link between responsibility and legitimacy.

Generally, when companies behave responsibly they are doing more than they are obligated under applicable laws governing product safety, environmental protection, labour and human rights, community development, corruption and so forth. In this situation they also pay attention not only to shareholders but also to other stakeholders including employees, local communities and consumers. These actions are often contained in long lists of ethical practices which include environmental management systems and community development projects. However, when companies say they are doing all these positive things when they are not, stakeholders may reverse the social license to operate and

negatively affect company legitimacy. For example, De Beers' beneficiation strategy which was explained before is seen by many stakeholders as lacking in consistency and scope. As a result, it is viewed as window-dressing and stakeholders vehemently expressed their disdain and in some cases even outrage. Some CSR projects may also be considered as 'photo' opportunities to gain pragmatic legitimacy. In order not to fall into this trap, managers are advised to only engage in projects and actions which are worthy in the eyes of stakeholders. One way of making sure that that this happens is to involve stakeholders and to take society's values and expectations into consideration.

Following is the conclusion of this chapter.

## **7.5 Summary**

This chapter highlighted the main outcomes of this research by explaining the main contributions to theory and managerial practices. Possible areas and opportunity for future research were also incorporated and discussed under the relevant topics. These will be further elaborated upon in the final chapter though.

Following is the final chapter which explains the main rationale for this research project in terms of the legitimacy of the general business environment with specific reference to companies.

## **8 CONCLUDING NOTES ON THE RESEARCH**

### **8.1 Introduction**

This final chapter is divided into four main parts. Firstly an overview of the research is given. Secondly, the generalisability of the research findings are put forward and thirdly, possible future research triggered by this study is discussed.

### **8.2 Synopsis of the Research**

This section is presented in three parts. Firstly the rationale for engaging in this research in the first place is given. Secondly, an overview of the methodological procedures followed are presented. Thirdly, the main findings and their significance are highlighted. Fourthly, the major contributions to theory and practice are summarised.

#### **8.2.1 The rationale and objective of the research project**

This study was embarked upon as it was observed that companies face a number of legitimacy challenges related to ethics and morality in today's dynamic, fast-paced and globalised world. However, not enough research has been done on the continuous, external, everyday issues affecting organisational legitimacy. For example, much has been said about globalisation and the effects this has had on business, stakeholders and consequent moral values and expectations (Crane and Matten, 2004; Palazzo and Scherer, 2006; Scherer and Palazzo, 2011; Bauman, 1999; Bowie, 1988; Matten, Crane & Chapple, 2003). Many different view-points about the negative impact of business on people and the environment have also been shared (Porter & Kramer, 2011; Jackson & Moerke, 2005; Yakokleva, 2005). Yet, regarding a general range of issues potentially affecting organisational legitimacy from an external point of view, not much information was found.



For example, it is obvious that problems stemming directly from the institutional environment on an everyday basis which may potentially negatively affect organisational legitimacy have not received much attention. In fact, initial interest in the topic was stimulated by general observations about the Namibian institutional environment. Here it was observed that political issues play an important role especially because of the complex business and political environment which is generally split along tribal affiliation, party politics and power relations. In view of this, at a first glance, in the case of the business environment specifically, matters concerning pragmatic legitimacy would seem to be dominant as the companies have to address the expectations of a number of diverse, majoritively external stakeholders who may accord or negatively impact company legitimacy depending on whether their needs and expectations are met. However, originally these conclusions were mostly based upon observations in especially the local media, analysis by some prominent Namibian economists and academics (see for example Melber (2006) and Daniels (2003)) but not on real methodical investigation involving external stakeholders.

As a result, it was decided to address this gap in the literature by conducting a qualitative study by involving a sample of the large spectrum of possible external stakeholders. This is important because organisational legitimacy is predominantly influenced by external parties which are more often than not the company stakeholders (Dowling & Pfeffer, 1975; Wood, 1991; Aldrich & Fiol, 1994; Clarkson, 1995; Hillman & Keim, 2001). The methodology employed in the resulting study is discussed in the next section.

### **8.2.2 Methods employed**

As the objective was to investigate Namdeb's legitimacy from an external stakeholder point of view, a representative sample was constituted with the assistance of stakeholder

identification based on general knowledge, secondary research and snow-balling. In the end the sample consisted of 42 predominantly highly knowledgeable representatives of nine stakeholder groups. 34 Face-to-face and four telephonic interviews were conducted. A further four respondents participated via the answering of a questionnaire. The data collected was rich and multi-layered and was analysed mainly through content analysis. 48 Issues were identified and a total of 1129 instances were counted. These results are further discussed in the next section.

### **8.2.3 Principal findings**

Six important discoveries with regards to organisational legitimacy were made. Firstly, the original notion that companies' legitimacy is impacted by a continuous flux of dynamic issues on an everyday basis was confirmed. Secondly, it was found that neither of the two theoretical approaches of legitimacy (institutional and strategic) could adequately account for Namdeb's formal environment. Thirdly, moral legitimacy issues were found to be dominant. Fourthly, political issues played a major role in company legitimacy. Fifthly, an interconnectedness between moral and pragmatic legitimacy was observed. Sixthly, the potential garnering and manageability of overall legitimacy as it is observed in this research is discussed.

#### **8.2.3.1 Organisational legitimacy is affected by a variety of continuous and dynamic range of issues on an everyday basis**

As was observed before, often organisational legitimacy is often explained by referring to single examples depicting specific events such as industrial disasters and instances of human rights abuse which may, for example, include child labour and so forth. However, this research has shown that organisational legitimacy is also affected by political, economic, social, environmental and legislative issues which may occur on an everyday

basis and are sometimes tangible and other times not. These issues may exist for some time and yet companies may not address the issues affectively or not at all. Examples include “accountability” and “transparency”. In these cases stakeholders may complain, and may have been complaining for some time that companies are not accountable for their actions (e.g. not rehabilitating mines which no longer produce resources) and do not behave in a transparent way (e.g. information about general operations which affect communities and the environment not being available). However, companies may choose to ignore such issues and yet it negatively affects their present and future legitimacy. Some issues may also be a direct consequence of company operations such as the “destructive nature of mining”. Even though this is a cognitive issue, meaning it is accepted by society as a consequence of mining which is necessary for economic and social development, it is an ever present issue which may nevertheless influence company legitimacy especially if companies do not adequately plan for mine closure and the rehabilitation of the area mined. Furthermore, other issues might not be the result of company operations at all and yet they may seriously affect company legitimacy as the company may be grouped with other companies which have less legitimacy by society members. Such an example is the “reputation of parastatals”. In the case of Namdeb, for example, the fact that some people see Namdeb as a parastatal because of the government’s involvement, has a negative effect on the company’s legitimacy as Namibian parastatals are accused of incompetence and corruption. These examples above illustrate the nature of the issues – present on a daily basis, continuous and often dynamic. Managers need to take these issues more seriously as on the long run company legitimacy may be seriously affected because of the compounding effect of negative influences on legitimacy.

Following is an explanation of why institutional and strategic were found not to adequately represent today’s business environment.

### **8.2.3.2 Current organisational legitimacy theory not adequately representative**

It was observed that neither one of the two dominant theoretical approaches of organisational legitimacy, the institutional and the strategic approaches, fully describe the environment and context in which Namdeb is embedded. For example, the institutional branch is too focussed on cognitive aspects and the strategic branch is overly based upon strategic relationships with stakeholders. Meanwhile moral aspects are neglected. This raises questions as the business environment is often said to be riddled with ethical and moral concerns (Elfstrom, 1991; Trevino, 1986; Weiss, 1998). Therefore, all organisations are encouraged to concentrate more on moral and ethical issues as they can no longer ignore the fact that society expects that they are responsible for all their actions and the consequences thereof. A universal focus on issues affecting moral legitimacy is therefore called upon. Furthermore, a point which is explained in more detail below, is the fact that moral and pragmatic legitimacy are linked and sometimes overlap. This indicates that both the institutional and strategic approaches are important and that not only one can adequately describe an organisation's formal context and social environment. For now, the finding that moral legitimacy related issues were overwhelmingly prominent is further elaborated upon.

### **8.2.3.3 The prominence of moral legitimacy**

By now it has been repeatedly stressed that moral legitimacy was identified as being significantly present. This fact was not originally expected as it was thought that pragmatic legitimacy would play a greater role. This point is directly related to the previous point which suggests that even though both pragmatic and moral legitimacy are important, a concerted change of focus from mainly strategic and cognitive legitimacy to moral legitimacy is needed. As said before, this prominence of moral issues is not only related to globalisation and the complexities identified for example by Palazzo and Scherer (2006)

and Crane and Matten (2004) but also by issues which have nothing to do with globalisation. Such issues may be for example, related to the political and economic environment in which companies find themselves. In fact political issues were also proven to play an important role in company legitimacy. This is elaborated upon further in the next point.

#### **8.2.3.4 The prominence of political issues**

Contrary to the general belief that economic issues play the most important role at companies in terms of legitimacy, it was discovered that political issues were much more significant. It was explained that the main reason for this is that legitimacy as a concept is first and foremost a concept embedded in political theory. Therefore, political issues are important especially with regards to moral and pragmatic legitimacy issues which involve society's values and norms and strategic relationships with stakeholders. However, it was discovered that moral-political issues were the most important type of moral legitimacy. This points to the fact that often companies make decisions and are involved in matters which are both political and moral in nature. From another angle it can be asserted that political and economic issues are closely linked especially in certain situations or industries such as the natural resources industries. These issues are more often than not related to matters of moral conduct and the adherence to, or ignoring of societal norms. For example, when economic gain is at stake in an environment where power is not shared equally, politics is employed to favourably influence the outcome. It is suggested that the prominence of moral-political issues are not only confined to certain companies, industries or country contexts. This will be discussed in more detail with regards to the generalisability of the study. For now a look is taken at the interconnectedness between moral and pragmatic legitimacy which was observed.

### **8.2.3.5 The interconnectedness of moral and pragmatic legitimacy**

It was detected that moral and pragmatic legitimacy were linked in some cases. For example, it was observed that when a company strategically engages with influential and powerful stakeholders at the expense of less powerful stakeholders, it becomes a moral issue. This means that the company cannot ignore less influential stakeholders without negatively affecting its moral legitimacy, especially as sanction from other stakeholders in the institutional environment such as the media and NGOs exist. In order to address this, companies need to carefully consider and weigh their actions as overall legitimacy and ultimate survival depend on it.

In the next section some observations about the garnering of legitimacy is brought to the fore.

### **8.2.3.6 Garnering and manageability of legitimacy**

It was found that moral and pragmatic legitimacy were both relatively easy to gain and manage depending on the willingness of the company shareholders and managers to address related issues. This conclusion was reached after the different issues influencing specific types of legitimacy were identified. Originally it was not expected that this might be the case as in current literature it is suggested that garnering and managing legitimacy is not an easy task as it is complex and problematic (Ashforth & Gibbs, 1990; Kostova & Zaheer, 1999) as social values and expectations are often contradictory, evolving, and difficult to control or operationalise (Shocker & Sethi, 1974) while the institutional environment is fragmented and composed of different domains reflecting regulatory, cognitive and normative factors (Scott, 1995).

It is suggested that this outcome is perhaps based on the fact that the issues identified were brought up by stakeholders themselves who often suggested solutions to the problems they raised. The issues are therefore more 'addressable' it seems. Therefore, in the case of moral legitimacy, for example, it does not seem entirely impossible to influence related issues (e.g. accountability and transparency issues) and by so doing, to garner moral legitimacy. The manageability of the issues, in turn, depends entirely on company shareholders and managers. In the case of strategic legitimacy, it is also easy to influence and garner legitimacy. However, because of the interdependence with moral legitimacy discussed before, managers need to be careful not to engage in actions which negatively affect moral legitimacy. Finally, in the case of cognitive legitimacy, no influenceable issues were identified. This is in line with the observation of Suchman (1995) who state that cognitive legitimacy is not influenceable and manageable. However, it is argued that communication might be used to stress the outcome of company operations as unavoidable, the best possible solution as no alternatives exist and in the best interest of all stakeholders involved. Here managers would also have to be careful as some stakeholders may see this as an excuse for unethical behavior and a consequent negative influence on moral legitimacy may ensue.

These points raised obviously lead to contributions to theory and practice. Following is a discussion of these.

#### **8.2.4 Main theoretical & practical contributions**

This research resulted in a number of contributions to theory and practice. In a first instance, regarding theoretical practice, it was obvious that issues related to moral legitimacy were predominant. The main suggestion is that moral legitimacy should play a more important and perhaps even the most important role in legitimacy theory. This

suggestion is made as it is observed that generally the current literature is overly focused on cognitive legitimacy based on institutional theory, and pragmatic legitimacy grounded in strategic theory. A middle-way between the two is needed which means that moral legitimacy should take centre-stage and consolidate cognitive and strategic legitimacy which are both considered partial influencers of overall legitimacy.

Moreover it is suggested that political aspects of business also play a significant role in organisational legitimacy. Not many studies addressed this issue and yet it logically makes sense as legitimacy as a concept is rooted in political theory. Political theory in turn is linked to moral matters which include power and governance concerns. This results in, as was illustrated, moral-political issues which seemingly hold a dominant position in the constitution of overall legitimacy. Additionally, it is also important to take into consideration the fact that moral and pragmatic legitimacy are often interconnected and may influence each other. This is linked to the above discussion which basically suggests that pragmatic exchange relationships are often based on politics which in turn may affect moral legitimacy negatively if foul play or injustice is apparent.

In a second instance, five main contributions to practice are also made. Firstly, it is suggested that managers approach legitimacy management from an 'issue management approach' as it is considered a more practical way to manage organisational legitimacy. Additionally, this research has shown that by involving external stakeholders, the identification of issues affecting legitimacy becomes easier. Secondly, in order to assist with this issue identification and classification, a practical two-dimensional typology of legitimacy based on issue and legitimacy type is offered. Thirdly, as a number of negative moral legitimacy issues were brought up by stakeholders, it is suggested that managers engage in ethical management based on social values and norms to address these concerns.



Fourthly, it is suggested that managers pay attention to all external stakeholders, regardless of their power and salience as all stakeholders directly or indirectly have an impact on company legitimacy. A final proposition is that managers should be aware that stakeholders are not always duped into believing that insignificant CSR projects are substantial efforts of the company to behave responsibly. Very often such shallow actions may have serious adversarial consequences on company legitimacy.

However, the study also has some limitations. These are discussed next.

### **8.3 Limitations of the Study**

Two main potential limitations have been identified. Firstly, the fact that a single case-study with an explicit structure (PPJV) in a specific industry (natural resources) might be considered an obvious limitation. Therefore, the findings might be classified as too specific and not generalisable. For example, the political nature of PPJVs might not be the same for other types of companies. Furthermore, the overwhelming presence of issues related to matters of moral concern in the natural resources industry where economic gain and political power play a significant role, might also be very specific to the industry.

Secondly, the interview sample was dominated by prominent and outspoken individuals who mostly hold leadership positions in the organisations and areas of expertise they represented. While this is a strength as informed points of view were available for analysis, the perceptions and expectations of the general public, especially the communities involved, were less present in the data sample. Yet, this is not considered a major limitation as the research approach was from the start more directed towards key

informants who critically contextualised and linked their viewpoints to the political, economic and social environment.

Regardless of these limitations, the study still allows a number of important generalisations. These are highlighted in the next section.

#### **8.4 Generalisability of the Research Findings**

Indeed the fact that this research is based on a single case-study is rather considered a characteristic of qualitative research and not a constraint or limitation. In view of this, some generalisable judgments are made as it is estimated that some generalisability is possible to varying degrees depending on the context and type of company. Five inferences are made.

Firstly, the most important finding estimated to be generalisable, is that moral legitimacy is at the core of overall organisational legitimacy. This observation is made in view of the types of moral issues brought up by many of the stakeholders. For example, respondents were of the opinion that companies need to be generally more accountable and transparent, and more considerate towards weaker stakeholders. These types of concerns are potentially present at most companies as stakeholders expect from companies to abide by not only rules and laws but also by society's norms and values. In cases where companies choose to ignore this expectancy, their social licence to operate may be reversed (Merkelsen, 2011; Graafland, 2002; Wooward, Edwards & Birkin, 2001; Elkington, 1997; Dunfee, Smith & Ross, 1999; Shocker & Sethi, 1974) resulting in a loss of legitimacy.

Secondly, a finding which seems to be less generalisable is that political matters play a dominant role at companies. The finding in itself is an important one though as very often companies are in situations where they have to make political decisions. However, the company studied is a PPJV meaning that the prominence of the political issues identified might be directly linked to the nature of the company i.e. the important role of the government as active shareholder and its ensuing conflicting roles of custodian of the people, natural resources as well as the responsibility of law-maker and regulator. The same result might be obtained in the case of multinationals though, especially those active in developing countries and in the extractive industries where political favour, sometimes based on corruption, guarantees, for example, licenses and rights.

Thirdly, linked to the above, is another generalisable finding i.e. moral-political matters play an important role in the overall constitution of moral legitimacy. This is, as was explained before, a result of political matters which normally involve power, loyalty and the vying over stakes, often being linked to moral issues. In fact the fourth generalisable finding stems straight from this point - that is that moral and pragmatic legitimacy are often interconnected. It is argued that this is a more generalisable finding as pragmatic legitimacy often involves exchange with the more powerful stakeholders at the expense of the weaker stakeholders. For example, companies are accused of mostly tending to the needs of the more salient stakeholders who may ultimately have more power to reverse their license to operate and/or deprive them of resources (Dowling & Pfeffer, 1975; Mitchel et al.). However, in both these cases, questions may be asked about their generalisability with regards to different industries as this study was situated in the natural resources industry where power, morals and politics generally often have a simultaneous impact. Obviously these dynamics might not be as prominent in other industries. However, it is only through further research that this question can be answered with surety.

A final example of generalisability involves not only the finding but also the methodology employed, i.e. the types of issues (political, economic, social, environmental and legislative) identified through interviews with external stakeholders. It is suggested that this method of identifying issues is a replicable method which will result in the same types of issues in different situations. The exception may be 'environmental' issues which is mostly a concern in the mining and manufacturing industries. In view of this, the consequent typology of legitimacy developed, is also considered a generalisable 'finding' as it is considered a tool which can be developed for different companies in different contexts by using the same two dimensions of issues type and legitimacy type.

As is evident, these issues discussed above raise more questions about organisational legitimacy. In summary, the generalisability of moral and political issues is brought up in addition to the interconnectedness of moral and pragmatic legitimacy. Furthermore, the garnering and manageability of organisational legitimacy as it is perceived in the current literature is also questioned. These issues raise opportunities for future research. The most important of these are elaborated upon in the next and final section.

## **8.5 Further Research**

This study opened the door to interesting feasible follow-up research. Four main ideas have emerged. Firstly, regarding organisational theory specifically, it is suggested that further research addressing moral aspects of organisational legitimacy be conducted. The reason for this has been adequately addressed before but it basically stems from the results which indicated that these issues related to this type of legitimacy were much more prominent than pragmatic and cognitive legitimacy.

Secondly, the political aspects of especially moral legitimacy need to be further investigated as political matters were found to be numerous, and in fact more than economic issues which are logically thought to play a bigger role in companies. This could also be helpful to understand the company's relationships with stakeholders better as these fall under the 'moral-political' legitimacy category which was shown to play a significant role in overall legitimacy. In fact the third suggestion for further study which is to focus on the interconnectedness between moral and pragmatic legitimacy is linked directly to this. It is postulated that such research would greatly assist in building organisational legitimacy theory further.

Finally, on a more practical level, the methodology based on external stakeholder input followed could also be tested in different contexts, industries and companies in order to identify and compare the different issues which may affect organisational legitimacy. Such studies are not common and they would be helpful in providing business with suggestions on how to better plan for long-term survival in these different contexts.

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## **Attachment I – Interview Guideline**

### **SECTION I: General Questions**

#### **A. The Role of the Government**

- A1. What is the traditional role of a democratically elected government?
- A2. Do you think that the role of the government has been changing over time?
- A3. If yes, why?
- A4. What are some of the issues and challenges governments face?
- A5. Do you think that governments are solely responsible for the development of countries?
- A6. In Namibia, are effective policies in place to manage natural resources such as diamonds, for example?
- A7. Does the Government of Namibia ensure that the profits accrued from natural resources benefit all Namibians? Please explain.
- A8. In your opinion, who keeps a government accountable?

#### **B. Development and Vision 2030**

- B1. In 2004, the government pronounced Vision 2030. What do you think of its goals?
- B2. Do you think that Vision 2030's goals can be achieved?
- B3. What are the most serious development issues Namibia is facing?
- B4. Do you think that VISION 2030 will be realized by 2030?
- B5. Generally speaking, do you think that the Government's development efforts are paying off?
- B6. Do you think that business can play a role in addressing some of the development challenges the government faces?

#### **C. Accountability and Transparency of the Namibian Government**

- C1. Is the Namibian Government accountable and transparent?
- C2. What are the mechanisms of accountability and transparency in place?
- C3. How does the Namibian Government make decisions?
- C4. Do you think that the public is involved in government decision-making?
- C5. Is the public informed of government's decisions?
- C6. If yes, how?



C7. Do you think that the government does enough to be accountable to the Namibian people?

#### **D. CSR in General**

D1. What do you understand by Corporate Social Responsibility?

D2. How would you define Corporate Social Responsibility?

D3. Do you think it is necessary to develop a common understanding for CSR in the country?

D4. If yes, why?

D5. Should the government look towards the business sector for assistance with the implementation of its social development goals?

D6. Are such actions legitimate and realistic?

#### **E. Government's CSR Policies**

E1. Should the government develop guidelines for CSR?

E2. If yes, why?

E3. What would be the benefits for the country?

E4. What would be the key elements for CSR legislation?

E5. Who are the stakeholders who should be consulted? Why?

#### **F. The Role of Business**

F1. What do you think should be the role of business in society?

F2. Do you think that the role of business has been changing?

F3. Do Namibian companies engage in CSR?

F4. If yes, why? If no, why?

#### **G. DE BEERS**

G1. Do you think De Beers is a weak or powerful company?

G2. If yes, why?

G3. Do you think that De Beers is a responsible company?

G4. If yes, why?

G5. Do you know if De Beers engages in Corporate Social Responsibility activities?

G6. If yes, do you know of any of these activities?

G7. Do you think that De Beers' CSR initiatives truly benefit all Namibians?

G8. Why do you think a company such as De Beers engages in CSR?

G9. Is it important for De Beers to engage in CSR?

G10. If yes, why?

G11. Do you think that De Beers and the Namibian Government have a good relationship?

G12. Please explain your opinion.

G13. Is the relationship between the Namibian Government and De Beers different from the government's relationships with other companies?

G14. If yes, how?

## **H. NAMDEB**

H1. Namdeb is a company owned 50% by the Namibian government. Do you think that Namdeb is responsible for contributing to the achievement of Vision 2030? Please explain your answer.

H2. How can Namdeb contribute towards the development of the country?

H3. Namdeb has some projects that address social issues outside the company itself. For example, Namdeb sponsors pre-primary schools and sponsors promising students. Do you think that such projects have a positive effect?

H4. Do you think Namdeb should continue or even intensify such activities?

H5. Do you think that Namdeb is morally obliged to implement such projects – or in other words, that it is responsible to implement such projects – or do you think that this is a form of charity?

H6. Namdeb is sometimes criticized for the environmental impact of its diamond mining activities. On the other hand, Namdeb implemented the ISO 14000 – an international management system for environmental issues – and its activities are monitored by the government and by independent auditing firms. Do you think that this works fine or should Namdeb make changes in its environmental policy? If yes, what kind of changes? How?

H7. Do you know anything of the company's governance structure?

H8. Do you think that Namdeb is transparent enough?

H9. Do you know what mechanisms of transparency are in place?

H10. Do you think that Namdeb ought to be more accountable to the Namibian people?

H11. Please explain your opinion.

H12. How can Namdeb (more) achieve accountability and transparency?

H13. Why is it important that Namdeb is accountable and transparent?

H14. Should Namdeb be more accountable and more transparent than other companies?

H15. If yes, why?

H16. Do you think that Namdeb should be responsible for addressing some of Namibia's social development issues?

H17. If, yes, why?

- H18. Do you think that the CSR projects of Namdeb have an effect on the communities where these projects are implemented?
- H19. Do you think Namdeb should do more?
- H20. Who do you think are Namdeb's stakeholders?
- H21. Do you think that Namdeb consults its stakeholders?
- H22. Do you think Namdeb has the responsibility to consult its stakeholders?
- H23. If yes, why?

## **I. Society**

- I1. Do companies in Namibia cooperate with non-governmental organizations and the government?
- I2. Do you think that this is important?
- I3. If yes, why? If no, why not?
- I4. What could be done to enhance the engagement between corporations, civil society and government on CSR issues?
- I5. Are Namibians consulted on issues of development?
- I6. If yes, how?
- I7. Are these effective tools and ways to involve all Namibians?
- I8. Who are the stakeholders which play a role in development in Namibia?
- I9. Please describe the development in Namibia since its independence in 1990. What kind of development has been taking place?
- I10. Do you think that more could be done?
- I11. If yes, what?

## **SECTION II: Questions for De Beers and Namdeb**

### **A. Government/ Company Relationship**

- A1. Do you have a good relationship with the government?
- A2. Why was Namdeb set-up like this (50/50 joint venture)?
- A3. Are there any policies in place which define the relationship between your company and the government? Which?
- A4. If a government is in a business partnership such as a joint venture, should the same rules and regulations which apply to all other businesses in the country, apply to the partner company?
- A5. Do you believe that your company has different characteristics than other companies in Namibia which enables you to benefit more from the partnership you have with the government?
- A6. Do both the government and your company benefit equally from your partnership?
- A7. In the case of Namdeb, what are the contributions (financial or other) each of the two partners make to the partnership?
- A8. What are the responsibilities of each partner?
- A9. Could you please elaborate on whether you think that 50/50 joint ventures between governments and private companies are beneficial to the development of a country?
- A10. Could you please elaborate on your governance structure?
- A11. How are board members chosen?
- A12. To whom are you accountable?
- A13. What accountability measures are in place?
- A14. Does your relationship with government benefit the average Namibian?
- A15. If yes, how?

### **B. CSR Policy**

- Is your CSR policy applicable to most or all of your company activities?
- Why does your company engage in CSR?
- What are you trying to achieve by engaging in CSR?
- How do you decide on CSR strategies and objectives?
- Do your CSR projects reflect the government's objectives and policies?
- Do you produce a CSR report?
- Does the company have a set of CSR indicators in place to measure performance?
- B8. Are your CSR activities monitored externally?

B9. Who are your stakeholders?

B10. Do you consult your stakeholders when deciding on CSR objectives?

B11. How do you budget for your CSR projects?

B12. Do your CSR activities really make a difference?

B13. If yes, how do you know?

B14. Is it possible for a company to gain the government's favour as a result from CSR activities?

**C. Community**

C1. Do you think that your company has a responsibility towards the communities where you operate?

C2. If yes, why?

C3. Has your company developed a community investment strategy?

C4. How do you decide on which CSR projects to invest in?

C5. Do you consult community members on matters which affect them directly in areas where you operate?

C6. Do your CSR projects benefit your company?

C7. If yes, how?

**D. Environment**

D1. Do you have an environmental program?

D2. What does your company do in order to reduce negative long-term effects on the environment?

D3. Do you operate according to any international environmental standards?

D4. If yes, what kind of changes result from the implementation of these standards? Please explain.

D5. Do you contract external companies to assess the impact of mining activities on the environment?

D6. If yes, are the findings of these studies made public?